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ECONOMIC INDICATORS

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GEOTHERMAL POWER IN HAWAII

Development of geothermal power as a method of reducing Hawaii's dependence on imported foreign oil has long been a dream of scientists. Geothermal energy in Hawaii is produced through the release of superheated steam from volcanically heated groundwater. Electricity results from the piping of the steam through turbine generators. Conservative estimates are that the Big Island alone is capable of generating over 1,000 megawatts of energy. Since the average power consumption of the entire state is roughly 800 megawatts, it follows that the potential for energy independence is an attainable goal worthy of pursuit.

Research on geothermal energy began 26 years ago when four privately financed wells were drilled along the east rift zone of Kilauea Volcano on the Big Island. The first operational geothermal plant, named the Hawaii Geothermal Project Well-A (HGP-A) in honor of the late Dr. Agatin Abbott, was completed in 1981. The facility is currently supplying 3 megawatts of energy to Hawaii Electric Light Company (HELCO), which has been operating the facility since 1982. The first successful private effort began as a joint venture between Thermal Power Co. and Amfac. Known as the Puna Geothermal Venture, their objective was to construct a 25-megawatt geothermal power plant, which would supply roughly 25 percent of peak power demand on the Big Island. Under an agreement with HELCO, 12.5 megawatts will be delivered by the end of 1989 and the remainder by the end of 1993.

Geothermal development has also begun on Maui, where True/Mid-Pacific Geothermal Venture has acquired a lease on land along the southwest Haleakala rift zone to begin exploratory development.

True/Mid-Pacific Geothermal Venture has also received a permit to explore, develop, and market up to 100 megawatts of geothermal power on 9,000 acres of land owned by Campbell Estate in the Kilauea middle east rift zone on the Big Island. According to the company, the area has the potential for developing 400 megawatts of power, and the ability to develop this resource is well within the capabilities of the company.

The transmission of this power to Oahu will depend on the development of a deep-water transmission cable between Oahu and the Big Island. The estimated cost of the cable is $450 million; a feasibility study, expected to be completed in 1990, is being conducted by Hawaiian Electric Co. In the meantime, a state advisory board has been formed to examine developmental issues that a deep-water cable would provoke, such as financing the project and organizing its implementation. True/Mid-Pacific is optimistic about the future and feels that geothermal power can begin to flow to Oahu by 1995.

One of the problems associated with geothermal energy is the high development cost. Drilling a production well is estimated to cost $2-3 million, and it may take several attempts to hit a pocket of superheated groundwater sufficient to create a producing well. For a 25-megawatt plant, exploration and field development costs alone, may exceed $3 million, and the plant itself would cost roughly $60 million. On that basis, geothermal electricity would cost roughly 6.5 to 7 cents per kilowatt hour. That is higher than it takes to produce electricity on Oahu through the use of conventional oil-burning generators.

The higher cost of geothermal energy places it at a disadvantage compared to conventionally-produced energy. On the other hand, public-utility companies are under no legal obligation to buy power produced by private companies. Nor are they under any obligation to support the development of alternate energy sources. Utility companies are, thus, often unwilling to commit the large sums of money required to start a geothermal venture and the roughly 5 years needed to develop a facility unless it has a contract to supply a specific amount of electricity at a designated time. Thus, the uncertainties of world oil prices, market demand for energy, geothermal energy-development costs, and the reluctance of utility companies to commit themselves to advance energy-development contracts create further difficulties and risks for alternate-energy companies.

Other questions remain concerning the reliability and longevity of geothermal steam wells. Many feel that environmental issues have yet to be adequately addressed. Much will depend on the results of the 25-megawatt pilot plant now being developed by Thermal Power Co.

In summary, the potential for geothermal energy is now entering the critical stage of commercialization after 26 years of research and development. The future of alternate energy in Hawaii depends crucially on the success of current developmental efforts and the implementation of the deep-water transmission cable. There is no question that geothermal energy will play an increasingly valuable role in Hawaii's economic and energy future; the benefits from investing in its development and support will provide both energy independence, as well as strong and lasting economic returns to the State of Hawaii.

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SEPTEMBER/OCTOBER FEATURE STORY: HAWAII'S FLORICULTURE INDUSTRY

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CURRENT BUSINESS TRENDS

Hawaii's economy continued to exhibit robust growth in June. Gross business receipts for the state came to $2.4 billion, up 5 percent from June 1986. Even with slowdowns in Hawaii's two largest sectors, tourism and construction, total gross business receipts for 1987 were 12 percent ahead of last year. County figures through June also reveal that growth is occurring on all the islands. The Big Island economy is surging ahead by 20 percent. Oahu has seen 13-percent growth, while Maui and Kauai have experienced more moderate growth rates of 4 and 3 percent, respectively.

The continued decline in the unemployment rate is further evidence of Hawaii's energetic economy. The cumulative state average, through July, of 4.1 percent was a tenth of a percent lower than the June average, and 20 percent lower than what it was a year ago. If this trend continues through the second half of the year, 1987 will have the lowest unemployment rate so far this decade. Oahu's unemployment rate, as of July, was the lowest in the state at 3.7 percent, down 18 percent from last year. Kauai and Maui were next, each with a 4.5 percent cumulative average unemployment rate, 34 and 21 percent better than last year. Hawaii had the highest unemplcyment rate in the state at 6.5 percent, 21 percent lower than last year.

This encouraging performance by the economy comes as somewhat of a surprise when Hawaii's number one sector is examined. The visitor industry is not having a bad year in 1987, but it pales before the success of 1986. As of July, 3.3 million overnight-and-longer visitors have come to the islands,0.4 percent more than the same period last year. The westbound visitor count has lagged be-

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	2nd Qtr.	4,448 r	1.6	5.6
In 1982 Dollars	bil. $	2nd Qtr.	3,794 r	0.6	2.4
PERSONAL INCOME**	bil. $	July	3,738p	0.4	5.6
INTEREST RATES					
AVERAGE PRIME RATE	percent	August	8.25	0.0	4.4
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	June	392.4 r	−1.3	5.6
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	May	381.5	0.3'	2.3
Apts., Hotels, Office Bldgs.	1967 = 100	May	379.4	0.3'	2.3
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	July	112,727	0.4	2.6
UNEMPLOYMENT*	thous.	July	7,224	−0.5	−12.2
UNEMPLOYMENT RATE*	percent	July	5.9	−1.7	−14.5
PRICES					
CONSUMER PRICE INDEXES					
Wage Earners and Clerical Workers	1967 = 100	July	335.6	0.2	3.9
All Urban Consumers	1967 = 100	July	340.8	0.2	3.9
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	July	297.4p	0.2	3.6
All Commodities	1967 = 100	February	308.5p	0.4	3.2

r = revised.
p = preliminary.
'Compared to March, 1987.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

BUSINESS SALES					
GROSS BUSINESS RECEIPTS					
STATE	mil. $	Jan.-June	14,818.3	.....	12.4
Oahu	mil. $	Jan.-June	12,444.2	.....	12.9
Maui County	mil. $	Jan.-June	984.5	.....	3.5
Hawaii	mil. $	Jan.-June	1,008.9	.....	19.6
Kauai	mil. $	Jan.-June	380.7	.....	2.9
DIVERSIFIED MANUFACTURING	mil. $	Jan.-June	304.4	.....	7.7
DIVERSIFIED AGRICULTURE	mil. $	Jan.-June	140.2	.....	11.0
RETAILING	mil. $	Jan.-June	5,218.8	.....	7.4
WHOLESALING	mil. $	Jan.-June	3,619.4	.....	16.2
SERVICES	mil. $	Jan.-June	3,624.8	.....	12.9
OAHU NEW CAR SALES	number	Jan.-June	18,185p	.....	−5.0
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	July	320.8e	0.1	4.4
All Urban Consumers	1967 = 100	July	313.5e	0.1	4.4
TOURISM					
VISITOR EXPENDITURES	mil. $	1986	5,550p	.....	13.3
OVERNIGHT OR LONGER VISITORS	number	July	524,950p	1.2	2.1
	number	Jan.-July	3,341,990p	.....	0.4
Westbound	number	July	374,890p	1.4	−3.8
	number	Jan.-July	2,464,560p	.....	−4.0
Eastbound	number	July	150,060p	15.7	0.7
	number	Jan.-July	877,430p	.....	15.1
AVERAGE DAILY VISITOR CENSUS	number	Jan.-July	119,890p	.....	−2.2
AVERAGE LENGTH OF STAY	no. of days	Jan.-July	10.2p	.....	0.0
MEETING ATTENDANCE	number	July	14,565	.....	−10.3
ORGANIZED GROUP TOURS	number	Jan.-July	451,930p	.....	−15.5
VISITOR COUNT BY COUNTY'					
Oahu	number	July	290,420p	1.2	−4.3
	number	Jan.-July	1,804,670p	.....	−5.1
Maui County	number	July	167,190p	1.2	−7.2
	number	Jan.-July	1,123,070p	.....	−7.4
Hawaii	number	July	62,900p	−5.3	−8.8
	number	Jan.-July	474,830p	.....	1.8
Kauai	number	July	93,350p	2.9	−1.1
	number	Jan.-July	606,910p	.....	1.0

p = preliminary.
e = estimated.
'Estimated Westbound.

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS:					
STATE	number	Feb., 1987	65,318	.....	−1.5
Oahu	number	Feb., 1987	38,815	.....	−0.5
Waikiki	number	Feb., 1987	34,014	.....	−1.8
Maui (Island)	number	Feb., 1987	13,264	.....	−1.4
Molokai	number	Feb., 1987	575	.....	−9.4
Lanai	number	Feb., 1987	10	.....	0.0
Hawaii	number	Feb., 1987	7,328	.....	0.7
Kauai	number	Feb., 1987	5,956	.....	0.6
HOTEL OCCUPANCY					
STATE	percent	July	83.2p	6.1	1.2
		Jan.-July	82.4p	.....	−1.6
Oahu	percent	July	90.6p	4.0	3.2
		Jan.-July	87.9p	.....	0.1
Maui (Island)	percent	July	72.6p	5.4	−12.6
		Jan.-July	77.2p	.....	−10.3
Hawaii	percent	July	57.4p	21.1	0.5
		Jan.-July	62.9p	.....	−1.3
Kauai	percent	July	78.4p	11.2	3.7
		Jan.-July	76.0p	.....	−3.2
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 2nd Qtr.	949.5	.....	0.1
Military Payroll	mil. $	Yr. to 2nd Qtr.	430.2	.....	4.5
Civilian Payroll	mil. $	Yr. to 2nd Qtr.	296.5	.....	−4.2
Local Purchases	mil. $	Yr. to 2nd Qtr.	222.8	.....	−2.0
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1985	222.4	.....	−13.2
SUGAR PRODUCTION	thous. tons	Jan.-June	417.3	.....	−10.0
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-July	437.0	.....	4.9
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1985	90.5	.....	0.7
SHIPMENTS: FRESH	thous. lbs.	Jan.-July	139,905	.....	−0.7
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1985	132,126	.....	12.6
FLOWERS & NURSERY PRODUCTS	thous. $	1985	44,274	.....	13.8
Anthurium Outshipments[1]	th. dozens	Jan.-June	714.3	.....	−10.2
Potted Foliage Plants	thous. $	1985	12,019	.....	19.6
FRUITS & NUTS	thous. $	1985	43,244	.....	9.7
Papaya Sales	th. lbs.	Jan.-July	28,915	.....	−1.1
Average Farm Price	cents/lb.	July	19.0	−9.5	−6.9
Macadamia Nut Sales (in shell)	th. lbs.	1986	44,000	.....	4.8
Average Farm Price	cents/lb.	1986	80.0	.....	10.3
VEGETABLES AND MELONS[2]	th. lbs.	Jan.-July	41,580	.....	−0.4
LIVESTOCK	thous. $	1985	82,821	.....	−4.8
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-June	16,709	.....	3.2
Average Farm Price (Feedlot Beef)	cents/lb.	June	90.0	−1.6	16.9
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-July	3,733	.....	4.3
Average Farm Price	cents/lb.	July	102.5	−1.0	−0.5
MILK PRODUCTION	mil. lbs.	Jan.-June	81.9	.....	2.1
Average Price Sold to Plants	$/100 lbs.	June	19.14	−3.0	2.1
EGG PRODUCTION	mil.	Jan.-July	131.4	.....	−1.6
Average Farm Price	cents/doz.	July	79.5	−2.5	3.9
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-July	4,336.0	.....	2.3
GAS SALES	th. therms.	Jan.-July	29,776	.....	3.6
TELEPHONE LINES IN SERVICE	thous.	Jan.-July	490.6	.....	4.6

p = preliminary.
[1]From Hawaii County.
[2]Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

hind the 1986 count for most of the year, and July did nothing to change that trend. The cumulative total of 2.5 million westbound visitors for the first seven months of 1987 is 4 percent less than what it was in 1986. The eastbound visitor count, on the other hand, increased in 1987. The cumulative total has experienced double-digit growth all year. The seven month total of 877,430 is 15 percent higher than that in 1986.

Hotel occupancies are slightly below those of last year for the state, and most of the counties. As of July, hotels were 2 percent less full this year than in 1986. Oahu hotels were about as full with the occupancy rate for the first seven months only 0.1 percent off from the 1986 level. Hawaii and Kauai had more empty rooms this year with their occupancy rate down one and 3 percent, respectively. Maui hotels, boasting the highest room rates in the state, have suffered the largest decrease in occupancy this year. Cumulative figures through July show hotel occupancy down 10 percent from last year.

Construction is maintaining a healthy rate of growth in 1987. Construction-put-in-place figures for the first six months show that construction statewide had risen by 19 percent. Big Island construction increased by 29 percent over the same period last year. Oahu was second with an 18 percent upswing. Kauai and Maui enjoyed advances of 15 and 13 percent, respectively.

The real estate market is continuing its boom over 1986. Housing resales in both the single-family and condominium categories are showing impressive gains over last year in both number of units sold and average price. The resale of single-family units during the first seven months of 1987 was up 34 percent over 1986. The average price for units sold during that time has gone up from $182,345 in 1986 to $234,683 in 1987, a difference of 29 percent. In the condominium market, 1,128, or 52 percent more units have been sold between January and July of this year than in 1986. The average price has gone up by 15 percent from $110,110 to $126,637.

Agricultural crops continue to have a slow year in 1987. Sugar, which was doing well earlier in the year, experienced a 10-percent decrease in production in June, its second monthly decline. Similarly, cumulative anthurium outshipments were down by 10 percent. Total papaya sales and vegetable and melon production through July were depressed by one and 0.4 percent respectively.

HAWAII'S FLORICULTURE INDUSTRY

Sugar and pineapple have dominated Hawaiian agriculture for so long that few people realize there are other agricultural products being grown in the islands. In spite of a few exceptions, like Maui Onions and Kona Coffee, for the most part diversified agricultural products go unnoticed. However, Hawaii's moderate climate and fertile soil make it an ideal place to grow a variety of vegetables, fruits, and especially exotic flowers and plants. Indeed, the floriculture segment of the diversified agriculture market has bloomed into big business.

A variety of flowers and potted plants are produced in the islands. They run from the familiar dendrobium orchid to exotic protea. Popular flowers include roses, chrysanthemums, bird of paradise, ginger, poinsettias, and heliconia. Potted foliage plants of all types are also in demand.

In 1986, Hawaii ranked eleventh in total wholesale value of floricultural crops in the nation. In total foliage wholesale value, Hawaii was fifth. In the cut flower market Hawaii was the fourth largest producer in the country.

Locally, in terms of value of production, flowers and nursery products have ranked first among diversified agricultural crops for the last five years. In 1986, the last year for which data are available for diversified agriculture, the total value of production came to $49 million for the floriculture industry. That easily outdistanced crops such as coffee ($9 million) and macadamia nuts ($35 million). From 1971 to 1985 the floriculture industry grew at an average annual rate of 17 percent.

This growth continued through 1986 with sales increasing 11 percent to $49 million. Hawaii county contributed $22.8 million of that total, up 16 percent from 1985. The City and County of Honolulu received $20 million from the sale of floricultural products in 1986, up 10 percent from the year before. Maui and Kauai growers fared less well. Receipts for Maui came to $5.2 million in 1986, the same as the 1985 sales figure. Kauai suffered an 8-percent decrease in total sales from $1.2 million in 1985 to $1.1 million in 1986.

A breakdown of the 1986 figure shows that foliage and potted plants were the biggest money-makers earning 37 percent of the total. Sales increased by 9 percent from $16.5 million in 1985 to $17.9 million in 1986. This segment of the industry has grown steadily in five of the last six years.

Oahu was the major foliage producer

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	Jan.-June	1,039,394	.....	18.5
Oahu	thous. $	Jan.-June	901,098	.....	18.3
Maui County	thous. $	Jan.-June	52,974	.....	13.0
Hawaii	thous. $	Jan.-June	62,341	.....	28.7
Kauai	thous. $	Jan.-June	22,981	.....	15.2
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	August	381.7	2.0	2.8
HIGH-RISE	1967 = 100	August	392.3	0.8	1.2
PRIVATE PERMITS AUTHORIZED					
STATE: RESIDENTIAL	thous. $	Jan.-June	352,029	.....	33.4
Single Family Units	number	Jan.-June	3,287	.....	60.6
Multiple Family Units	number	Jan.-June	826	.....	−49.9
NONRESIDENTIAL	thous. $	Jan.-June	161,111	.....	−21.2
OAHU: RESIDENTIAL	thous. $	Jan.-July	244,479	.....	22.4
Single Family Units	number	Jan.-July	1,705	.....	51.8
Multiple Family Units	number	Jan.-July	291	.....	−82.3
NONRESIDENTIAL	thous. $	Jan.-July	120,559	.....	−4.4
MAUI CO.: RESIDENTIAL	thous. $	Jan.-June	59,750	.....	38.3
Single Family Units	number	Jan.-June	615	.....	42.0
Multiple Family Units	number	Jan.-June	454	.....	567.6
NONRESIDENTIAL	thous. $	Jan.-June	21,698	.....	8.7
HAWAII: RESIDENTIAL	thous. $	Jan.-July	52,994	.....	35.1
Single Family Units	number	Jan.-July	773	.....	17.7
Multiple Family Units	number	Jan.-July	10	.....	−16.7
NONRESIDENTIAL	thous. $	Jan.-July	20,412	.....	−85.8
KAUAI: RESIDENTIAL	thous. $	Jan.-July	36,591	.....	56.4
Single Family Units	number	Jan.-July	349	.....	51.1
Multiple Family Units	number	Jan.-July	3	.....	—
NONRESIDENTIAL	thous. $	Jan.-July	29,843	.....	−28.1
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-Aug.	251,265	.....	−19.1
Oahu	thous. $	Jan.-Aug.	191,833	.....	−20.4
Maui County	thous. $	Jan.-Aug.	17,416	.....	−49.6
Hawaii	thous. $	Jan.-Aug.	23,871	.....	4.9
Kauai	thous. $	Jan.-Aug.	18,146	.....	46.5
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-Aug.	57,477	.....	39.9
State	thous. $	Jan.-Aug.	113,976	.....	−33.3
County	thous. $	Jan.-Aug.	79,901	.....	−19.1
REAL ESTATE RESALES					
STATE: Single Family	number	Jan.-July	2,300	.....	34.2
Average Price	dollars	Jan.-July	234,683	.....	28.7
Condominium	number	Jan.-July	3,307	.....	51.8
Average Price	dollars	Jan.-July	126,637	.....	15.0
OAHU: Single Family	number	Jan.-July	1,579	.....	38.0
Average Price	dollars	Jan.-July	273,849	.....	32.8
Condominium	number	Jan.-July	2,554	.....	54.7
Average Price	dollars	Jan.-July	123,571	.....	18.0
MAUI CO.: Single Family	number	Jan.-July	283	.....	29.2
Average Price	dollars	Jan.-July	191,852	.....	11.0
Condominium	number	Jan.-July	528	.....	47.9
Average Price	dollars	Jan.-July	142,893	.....	−0.1
HAWAII: Single Family	number	Jan.-July	341	.....	24.0
Average Price	dollars	Jan.-July	114,227	.....	13.6
Condominium	number	Jan.-July	111	.....	42.3
Average Price	dollars	Jan.-July	138,737	.....	53.3
KAUAI: Single Family	number	Jan.-July	101	.....	32.9
Average Price	dollars	Jan.-July	139,766	.....	−4.5
Condominium	number	Jan.-July	114	.....	22.6
Average Price	dollars	Jan.-July	122,969	.....	28.1

n.a. = not available

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,178.8p	.....	2.3
Total Resident Population	thous.	July 1, 1986	1,062.3p	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1986	877.3p	.....	1.4
Total Resident Population	thous.	July 1, 1986	816.7p	.....	0.7
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1986	110.0p	.....	−4.8
Total Resident Population	thous.	July 1, 1986	87.6p	.....	2.7
HAWAII:					
Total De Facto Population	thous.	July 1, 1986	120.0p	.....	3.6
Total Resident Population	thous.	July 1, 1986	111.8p	.....	2.4
KAUAI:					
Total De Facto Population	thous.	July 1, 1986	60.3p	.....	8.5
Total Resident Population	thous.	July 1, 1986	46.4p	.....	3.6
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2p	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION[1]	number	Jan.-Aug.	3,867	.....	−1.6

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	1st Qtr.	16,158p	1.3	5.8
EMPLOYMENT INCOME[1]	mil. $	1st Qtr.	12,438p	1.2	7.0
Manufacturing	mil. $	1st Qtr.	548p	−1.1	3.2
Construction & Mining	mil. $	1st Qtr.	992p	0.7	29.2
Wholesale	mil. $	1st Qtr.	472p	0.2	4.7
Retail	mil. $	1st Qtr.	1,360p	1.3	5.0
Finance, Ins., & Real Estate	mil. $	1st Qtr.	922p	1.7	15.1
Trans., Comm., & Util.	mil. $	1st Qtr.	1,022p	2.2	9.1
Services	mil. $	1st Qtr.	3,067p	2.0	7.8
Farm & Other	mil. $	1st Qtr.	281p	−15.1	−36.3
Federal Civilian	mil. $	1st Qtr.	1,009p	1.7	3.9
Federal Military	mil. $	1st Qtr.	1,393p	2.3	3.4
State & Local	mil. $	1st Qtr.	1,373p	2.5	11.0
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	1st Qtr.	2,271p	1.9	1.7
TRANSFER PAYMENTS (2,285) minus Personal Contributions for Social Insurance (835)	mil. $	1st Qtr.	1,450p	1.3	2.6
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1986	14,691p	.....	6.1
Oahu	dollars	1984	13,709p	.....	5.7
Maui County	dollars	1984	11,611p	.....	5.9
Hawaii	dollars	1984	9,998p	.....	5.2
Kauai	dollars	1984	10,564p	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

AWAIIAN BANK

in the state in 1986 with about $7 million in sales. The Big Island was second. Farms in the Kohala, Hilo, and Pahoa areas produced about $6 million worth of cut and potted foliage.

The next largest category in the floriculture industry is cut flowers, which, at $15.6 million in sales value, comprised 32 percent of the industry total for 1986. Anthuriums make up the lion's share of total cut flower sales, and made up 63 percent of total sales in 1986. Anthurium production has been increasing over the last ten years with an average annual growth rate of 16 percent. As with foliage products, export demand dominates the anthurium market. Other common flowers including chrysanthemums and roses had declining sales in 1986.

More exotic flowers, like bird of paradise are experiencing an upsurge in demand abroad as tastes turn to these more fascinating varieties. Protea growers, who are benefitting from the federal-government ban on South African protea products, are also doing well.

Cut flowers are grown all over the state. The Big Island produces and sells 98 percent of the anthuriums in the state, while Maui is the leader in protea cultivation. In 1986, Maui produced 95 percent of the state's protea. Oahu is the major grower of chrysanthemums, producing at least six times more than any other island.

Orchids continue to be one of Hawaii's most popular floricultural products. In 1985, orchid sales of $5.3 million were almost six times what they were 10 years ago. During that time, growers enjoyed a 21-percent annual sales growth rate. This continued in 1986 with an 11-percent increase over 1985. Record sales of dendrobium orchids, along with sales of other strains, added up to $5.9 million in 1986. Oahu and the Big Island produced the majority of orchids sold.

Export demand accounts for a large portion of floriculture sales. In 1986, total out-of-state sales amounted to $28 million or 57 percent of the total $49 million in sales. Foliage sales abroad accounted for two-thirds of total foliage sales in 1986. Eighty-eight percent of the anthuriums grown in Hawaii were exported especially to the Mainland, Japan, and Italy. Over half of the dendrobiums sold are to buyers from out-of-state. On the mainland, Hawaii's flowers are showing up in hotels, restaurants, offices, and private homes.

A general increase in demand for upscale items is one reason for this growing demand in floricultural products. As incomes have risen, both locally and

abroad (6 percent in Hawaii and 3 percent nationwide for the first quarter of 1987), demand for exotic plants has followed suit.

Tremendous growth for Hawaii's floriculture industry is possible given this pattern of increased demand. There are many areas that have yet to be penetrated by Hawaiian growers. The cut flower industry, for example, brings in $5 billion a year worldwide, and Hawaii has less than one percent of the market. Mainland consumers, in most markets, have been willing to pay higher prices for Hawaii's flowers and potted plants. Supply has a difficult time keeping up with demand right here in Hawaii. There have been instances when carnations have had to be imported from California and Israel to satisfy excess demand not met by local growers. Despite these opportunities for expansion, the number of farms in the state has declined from 680 in 1983 to 590 in 1986. Acreage in 1985 was greater than that in 1984, but was still less than the area used for floriculture and nursery products in 1983.

This lack of growth can be blamed on a number of local factors. The cost of land in Hawaii is one hinderance to further increases in production. While floriculture is not as land intensive as sugar or pineapple, high land prices have deterred farmers from expanding existing farms. Competing uses for the land have also put pressure on some farmers to reduce their operations. Capital costs have had their impact on output. Some growers either don't have the money or don't want to invest it in greenhouses, land preparation, and other improvements to increase productivity.

Getting the product to market has always been tricky. Floricultural products can only be delivered by air to insure freshness. Before the advent of jet cargo service, it was impossible to sell these products overseas. The cost of this method was prohibitive in the beginning, but now that airfreight rates have become more reasonable, transportation has become less of a problem.

Marketing Hawaii's products has also proven difficult. There is no industry-wide cooperative for the promotion of Hawaiian flowers and potted plants. Several product-specific cooperatives have been formed and have been quite successful. The Hawaii Protea Cooperative located in Kula, Maui has worked hard at marketing their product around the world, while trying to improve productivity by organizing the dissemination of seedlings and insecticides here at home. The Hawaii Anthurium Industry

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE					
Civilian Labor Force	thous.	July	510.6p	0.3	3.2
Employment	thous.	July	490.4p	0.7	4.3
Unemployment	thous.	July	20.3p	−8.1	−18.5
Unemployment Rate	percent	July	4.0p	−7.0	−20.0
OAHU					
Civilian Labor Force	thous.	July	382.8p	0.1	3.5
Employment	thous.	July	369.1p	0.4	4.5
Unemployment	thous.	July	13.7p	−7.4	−17.7
Unemployment Rate	percent	July	3.6p	−7.7	−20.0
MAUI COUNTY					
Civilian Labor Force	thous.	July	50.4p	0.7	1.5
Employment	thous.	July	48.4p	1.4	2.7
Unemployment	thous.	July	2.1p	−8.7	−16.0
Unemployment Rate	percent	July	4.1p	−10.9	−19.6
HAWAII					
Civilian Labor Force	thous.	July	53.6p	2.2	3.4
Employment	thous.	July	50.1p	3.3	5.4
Unemployment	thous.	July	3.6p	−7.7	−16.3
Unemployment Rate	percent	July	6.6p	−12.0	−20.5
KAUAI					
Civilian Labor Force	thous.	July	23.9p	−0.4	1.5
Employment	thous.	July	22.9p	−0.2	3.6
Unemployment	thous.	July	1.0p	−13.6	−34.5
Unemployment Rate	percent	July	4.0p	−11.1	−35.5
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	July	506.1p	0.6	3.3
SUGAR (Mill and Field)	thous.	July	7.1p	7.6	−4.7
PINEAPPLE (Cannery and Field)	thous.	July	5.0p	12.4	−14.5
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	July	17.0p	1.2	0.9
Durable Goods	thous.	July	4.1p	2.5	5.1
Non-Durable Goods	thous.	July	12.9p	0.4	−0.4
Apparel and Textiles	thous.	July	3.1p	0.0	−6.1
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but Including Agricultural Self-Employed)	thous.	July	9.4p	6.2	27.0
CONTRACT CONSTRUCTION	thous.	July	21.8p	0.0	15.3
TRANSPORTATION	thous.	July	24.8p	−0.6	1.0
COMMUNICATION	thous.	July	7.2p	0.7	2.1
UTILITIES	thous.	July	2.7p	1.9	3.8
RETAIL TRADE	thous.	July	101.9p	1.5	4.2
WHOLESALE TRADE	thous.	July	19.8p	1.3	1.8
FINANCE, INSURANCE AND REAL ESTATE	thous.	July	33.8p	0.4	1.5
HOTEL SERVICES—STATE	thous.	July	29.8p	0.0	1.0
Oahu	thous.	July	17.0p	1.5	3.0
Maui County	thous.	July	6.5p	−1.5	−1.5
Hawaii	thous.	July	3.9p	−2.5	−1.3
Kauai	thous.	July	2.5p	0.0	2.0
OTHER SERVICES	thous.	July	94.1p	0.2	4.7
FEDERAL GOVERNMENT	thous.	July	32.2p	0.0	0.9
Civilian Agencies	thous.	July	12.1p	0.0	4.8
Defense Department	thous.	July	20.0p	−0.5	−1.7
STATE GOVERNMENT	thous.	July	46.7p	−6.3	2.3
COUNTY GOVERNMENT	thous.	July	14.9p	13.7	1.7
NON-AGRICULTURE SELF-EMPLOYED	thous	July	38.4p	2.8	3.1
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	July	7,815	−8.2	−15.6
INTRASTATE INITIAL CLAIMS	number	Jan.-July	32,817	.....	−13.9
INTERSTATE INITIAL CLAIMS	number	Jan.-July	1,961	.....	−15.0
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-July	29,002	.....	−17.7

p = preliminary.
*Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE					
Recipients[1]		June	48,609	−4.1	−10.5
Payments		Jan.-June	43,223	.....	−7.2
MEDICAL ASSISTANCE					
Recipients[1]		August	40,730	−11.8	−26.4
Payments		Jan.-Aug.	109,725	.....	1.3
FOOD STAMPS					
Recipients[1]		June	83,683	−0.4	−8.0
Payments		Jan.-June	42,791	.....	14.8
SERVICES					
Recipients[1]		2nd Qtr.	7,729	3.2	−7.2
Payments		2nd Qtr.	4,878	.....	11.5

[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS					
STATE					
Total Deposits	mil. $	July	8,799.7	0.6	13.1
Debits To Demand Deposits	mil. $	July	10,231.8	.....	5.1
OAHU					
Total Deposits	mil. $	July	7,364.2	0.4	14.5
Debits To Demand Deposits	mil. $	July	9,252.5	.....	8.7
MAUI COUNTY					
Total Deposits	mil. $	July	552.3	0.8	12.1
Debits To Demand Deposits	mil. $	July	422.6	.....	15.4
HAWAII					
Total Deposits	mil. $	July	602.9	1.8	0.7
Debits To Demand Deposits	mil. $	July	380.0	.....	9.9
KAUAI					
Total Deposits	mil. $	July	280.3	1.0	8.1
Debits To Demand Deposits	mil. $	July	176.7	.....	12.5
BANK LOANS OUTSTANDING—STATE[1]	mil. $	2nd Qtr.	5,408.6	3.4	16.9
Real Estate	mil. $	2nd Qtr.	2,350.7	7.3	24.6
Consumer	mil. $	2nd Qtr.	1,037.1	0.0	−2.5
Commercial & Industrial	mil. $	2nd Qtr.	1,585.7	1.7	18.5
Other	mil. $	2nd Qtr.	272.9	−8.1	6.9
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS	percent	July	10.8	−0.9	3.8
TOTAL DEPOSITS	mil. $	March	3,517.8	0.6	−2.5
TOTAL LOANS	mil. $	March	121.0	20.0	82.8
MORTGAGE LOANS	mil. $	March	109.7	39.9	99.8
TAX COLLECTIONS[2]					
STATE	thous. $	Jan.-July	1,107,408	15.9	14.4
Oahu	thous. $	Jan.-July	953,629	13.5	15.1
Maui County	thous. $	Jan.-July	67,577	15.0	13.5
Hawaii	thous. $	Jan.-July	60,427	17.3	12.0
Kauai	thous. $	Jan.-July	25,771	22.6	−1.8

[1]Includes Hawaii and Guam. Reporting categories changed in July, 1985.
[2]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

Association and the Hawaii Anthurium Growers Cooperative have managed to organize the anthurium growers on the Big Island emphasizing research, education, and marketing of their product. These cooperatives are the exceptions, however, as a majority of the growers in the state are not part of any ongoing promotional activity. In many instances an every-man-for-himself attitude prevails. In this environment it will be difficult for Hawaii products to maintain, much less increase, their market share in the face of increased competition.

The newest problem facing growers who want to expand is the increasing lack of available labor. As the Hawaiian economy fluctuates near full employment it has become more difficult to attract workers into this labor-intensive industry. This problem will intensify in the future as completion of several resort developments will increase the competition for the remaining workers, as well as entice some away from their present jobs.

Hawaii's industry must also deal with challenges from abroad in the form of foreign floricultural products. Floricultural producers from other countries are coming into direct competition with those from Hawaii. For example, Costa Rica, Jamaica, and Mauritius have aggressively entered into the anthurium market. Though their anthuriums are of lower quality than Hawaiian anthuriums, they are delivered at lower prices. Thailand has always been an adversary in the dendrobium orchid market.

With almost half of the floricultural products being exported out of the state, the floriculture market is extremely sensitive to fluctuating foreign exchange rates. In the early 1980s, a strengthening dollar nearly eliminated anthurium sales to West Germany as consumers there were unwilling to pay the higher prices. This trend has reversed itself in recent times with the dollar losing strength against most currencies. This should lead to an increase in foreign demand for Hawaii's exotic flowers and plants.

Whether or not Hawaii growers will be able to take advantage of these opportunities remains to be seen. All the knowledge and resources needed for success in the floriculture industry are available in the islands. If present problems can be overcome, this industry has the potential for sizable growth. Given the present condition of some of the other crops in Hawaii, this would be a welcomed boost to the state's beleaguered agricultural sector.

ECONOMIC INDICATORS

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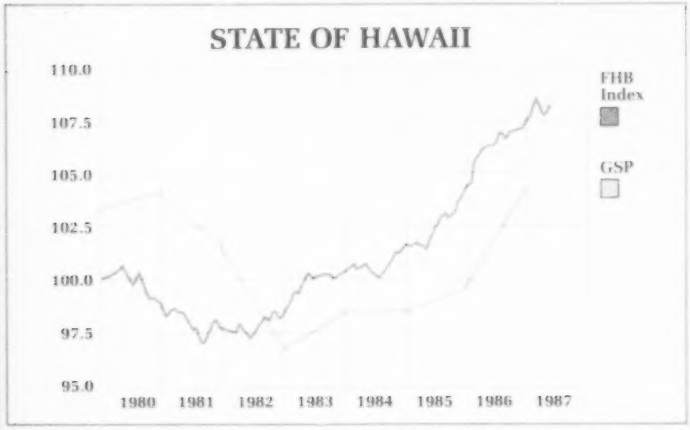

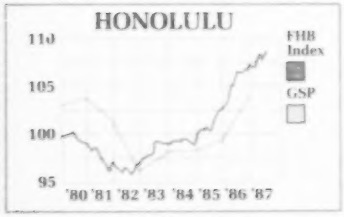

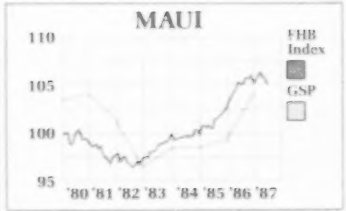

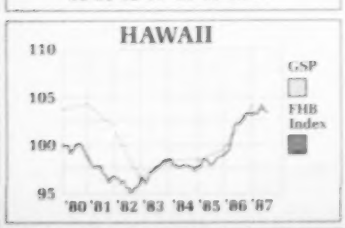

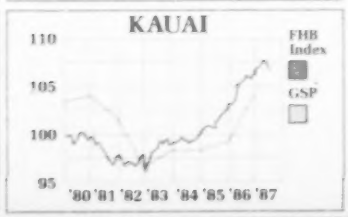

FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

The First Hawaiian Bank Index of Leading Economic Indicators, through the first seven months of 1987, registered a net gain of 0.3 percent from year-end 1986. This implies that economic growth statewide, should remain roughly at the same levels as 1986. Neighbor island indexes also reflected this scenario of stable growth, as declines in visitor counts curtailed last years upward momentum. A county-by-county analysis of the major index components, through July, shows that for Honolulu, employment, consumer credit demand, and public contracts awarded, showed significant upward movement, while building permits and visitor counts declined. The Maui index realized slight gains in employment and credit demand, but suffered heavy losses in visitor counts, and public contracts awarded. On the Big Isle, the only negative component was visitor counts, down just slightly from the previous month. For the Kauai index, visitor counts and public contracts awarded were the only negative components. All the other components showed gains.

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ECONOMIC INDICATORS

Research Department, First Hawaiian Bank | November/December 1987

Outlook for the Hawaiian Economy in 1988

The Hawaiian economy is still in a process of consolidation after the record growth rates of 1986. A slowdown in westbound visitor counts due to a sluggish national economy, and a levelling off in construction activity have tempered economic expansion. The recent downturn in the stock market has also clouded the outlook for 1988.

Overall, the economy has been doing well in 1987. Gross business receipts, a measure of overall business activity, grew by 12 percent to $19.8 billion as of August. Corrected for inflation, business activity was expanding by 8 percent. Meanwhile, the unemployment rate fell to 4.1 percent, the lowest in twenty years, while the number of jobs increased by 3 percent. Total personal income also saw strong real growth of 4 percent through the first half of the year.

One of the main factors having to do with the stabilizing of the Hawaiian economy in 1987 was the mixed performance of the visitor industry. As of this past September, total overnight-and-longer visitors stood at 4.4 million persons. This represented a modest 2-percent rate of growth compared to the 15 percent experienced during the same period in 1986. The main cause was a slowdown in visitors from the mainland and increased competition from alternative destination areas. Westbound visitors declined by 2 percent in September, compared to a growth rate of 16 percent during the same period in 1986. Eastbound visitors increased in growth rates from 14 percent in 1986 to 17 percent in 1987.

The eastbound visitor increase has had important implications for Hawaii's visitor industry. Japanese visitors are estimated to comprise 72 percent of eastbound visitors in 1987 compared to 65 percent in 1986. They spend an average of $366 per day: four times more than westbound visitors, who spend an average of $95 per day. Because of this, the average monthly expenditure generated by total overnight-and-longer visitors to Hawaii stood at $527 million in 1987, or 16 percent higher than the average of $456 million spent in 1986. Thus, in spite of low growth in the total number of visitors, the economic impact of the visitor industry on the Hawaiian economy has increased substantially because of the rising proportion of Japanese visitors to Hawaii.

Tourism growth in 1988 could be influenced by the market downturn in the American and Japanese stock markets, which could have adverse effects on travel to Hawaii. Add the further possibility of a general slowdown in the American and Japanese economies and continuing strong competition from alternative destination areas, and the expectation is that growth in total overnight-and-longer visitors in 1988 will range between 0 to 3 percent. This reflects continued slow growth in the westbound market and a possible slowdown in Japanese visitors to Hawaii, due to the effects of the stock market crash. Tokyo recorded an average drop in stock prices of 35 percent due to the market downturn.

The construction industry was the other major source of economic activity in 1987. As of this past August, the total value of construction-put-in-place stood at $1.4 billion, a healthy 17-percent increase over 1986. Considering that construction was growing by 43 percent during the same period in 1986, it is clear that activity in the industry is levelling off. However, income for workers increased by 18 percent to $905 million in the first half of the year, while construction jobs increased by 19 percent to 21,617 jobs as of this past September.

The outlook for construction will depend on national economic conditions and interest rates. Given the prospects for slower economic growth and easier monetary policies, interest rates should remain relatively stable. A number of major hotel and commercial projects will be reaching completion and a general slowdown in nonresidential construction is expected. Thus, growth in total construction-put-in-place should fall in the 10- to 15-percent range in 1988.

Defense expenditures remained static in 1987. As of the first half of the year, total appropriated military funds stood at $950 million, roughly equal to expenditure levels in 1986. Overall prospects for 1988 do not appear optimistic. Growth in military expenditures has been flat to negative in real terms for the past three years. With the expected continuation of the Gramm-Rudman budget deficit-reduction measures, as well as the impending election of a new president in 1988, the probability of a major turnaround in defense expenditures seems remote, and the expectation is for flat growth in real terms for 1988.

Looking at the total Hawaiian economy in 1988, the outlook is for moderate growth in tourism, a general levelling off in construction, and general stability in the other sectors of the economy. Gross state product, adjusted for inflation, should grow by 2.4 percent in 1988 compared to an estimated 4.6 percent in 1987. Growth in total personal income is also projected to grow by 2.0 percent in 1988 compared to 3.6 percent in 1987. Thus, overall, the Hawaiian economy should experience slower, but nevertheless positive, economic growth in 1988.

FIRST HAWAIIAN BANK
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NOVEMBER-DECEMBER FEATURE STORY: MANUFACTURING IN HAWAII

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CURRENT BUSINESS TRENDS

Despite relatively weak visitor numbers the Hawaiian economy realized exceptional growth through the first three quarters of 1987. Through September, gross business receipts for the state expanded to $22 billion, up 12 percent from the same period in 1986. Hawaii County experienced the largest increase of 18 percent, while Oahu, Maui, and Kauai registered gains of 13, 3, and 1 percent, respectively.

Tax collections were also up. As of September, cumulative state tax collections grew by 15 percent from the same period in 1986. Oahu and Maui showed equal gains of 15 percent, while Hawaii and Kauai had increases of 13 and 2 percent, respectively.

State employment figures showed marked improvement through the third quarter. The number of persons employed in the state increased by 3 percent to 478,567 persons while the number of unemployed persons fell by 22 percent to 20,106. As a result the unemployment rate fell from 4.6 percent to 3.8 percent.

Through September, the number of visitors to Hawaii totaled 4,353,160 a moderate increase of 2 percent over the same period last year. Of that total, westbound visitors accounted for 3,179,520, down by 2 percent from 1986, while the number of eastbound visitors increased by 16 percent to 1,173,640. The dramatic increase in eastbound visitors is chiefly attributable to highly favorable exchange rates for Japanese visitors. A county-by-county look at visitor numbers indicates that only Hawaii and Kauai had increased visitor counts from last year with each county registering a 2-percent gain. Oahu and Maui realized declines of 4 and 6 percent, respectively.

The construction industry continued

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr.	4,512p	1.5	5.8
In 1982 Dollars	bil. $	3rd Qtr.	3,831p	0.9	3.0
PERSONAL INCOME**	bil. $	Sept.	3,784o	0.7	6.1
INTEREST RATES					
AVERAGE PRIME RATE	percent	Oct.	9.07	4.3	20.9
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	Sept.	406.3p	1.5	1.5
CONSTRUCTION COST INDEXES:					
Residences	1967 =100	Sept.	384.0	0.4¹	1.8
Apts., Hotels, Office Bldgs.	1967 =100	Sept.	382.0	0.5¹	2.0
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	Sept.	109,891	−0.2	2.2
UNEMPLOYMENT*	thous.	Sept.	8,329	3.8	0.7
UNEMPLOYMENT RATE*	percent	Sept.	6.9	3.0	−2.8
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 =100	Oct.	340.0	0.3	4.6
All Urban Consumers	1967 =100	Oct.	345.3	0.3	4.5
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 =100	Sept.	289.3p	0.4	−0.9
All Commodities	1967 =100	Aug.	297.2p	−0.2	−3.3

r=revised.
p=preliminary.
¹Compared to July, 1987.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

BUSINESS SALES					
GROSS BUSINESS RECEIPTS:					
STATE	mil. $	Jan.-Sept.	22,134.5	.....	11.5
Oahu	mil. $	Jan.-Sept.	18,668.8	.....	12.2
Maui County	mil. $	Jan.-Sept.	1,440.1	.....	3.7
Hawaii	mil. $	Jan.-Sept.	1,451.1	.....	16.2
Kauai	mil. $	Jan.-Sept.	574.5	.....	0.4
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Sept.	451.5	.....	6.8
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Sept.	201.8	.....	4.6
RETAILING	mil. $	Jan.-Sept.	7,839.2	.....	8.9
WHOLESALING	mil. $	Jan.-Sept.	5,384.0	.....	13.9
SERVICES	mil. $	Jan.-Sept.	5,386.8	.....	11.2
OAHU NEW CAR SALES	number	Jan.-Sept.	29,204.0p	.....	0.8
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX:					
Wage Earners and Clerical Workers	1967 =100	Oct.	324.6 e	0.3¹	5.2
All Urban Consumers	1967 =100	Oct.	317.5 e	0.3¹	4.9
TOURISM					
VISITOR EXPENDITURES	mil. $	1986	5,550p	.....	13.6
OVERNIGHT OR LONGER VISITORS	number	Sept.	432,050p	−25.4	9.7
	number	Jan.-Sept.	4,353,160p	.....	2.1
Westbound	number	Sept.	301,990p	−26.9	4.3
	number	Jan.-Sept.	3,179,520p	.....	−2.3
Eastbound	number	Sept.	130,060p	−21.7	24.8
	number	Jan.-Sept.	1,173,640p	.....	16.2
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Sept.	118,130p	.....	−1.4
AVERAGE LENGTH OF STAY	no. of days	Jan.-Sept.	10.1p	.....	1.0
MEETING ATTENDANCE	number	Jan.-Sept.	220,902	.....	31.4
ORGANIZED GROUP TOURS	number	Jan.-Sept.	567,860p	.....	−12.9
VISITOR COUNT BY COUNTY²					
Oahu	number	Sept.	221,880p	−26.4	2.1
	number	Jan.-Sept.	2,328,110p	.....	−3.7
Maui County	number	Sept.	140,750p	−24.3	1.0
	number	Jan.-Sept.	1,449,700p	.....	−5.6
Hawaii	number	Sept.	52,690p	−25.3	−0.2
	number	Jan.-Sept.	598,100p	.....	1.6
Kauai	number	Sept.	82,370p	−17.2	6.2
	number	Jan.-Sept.	788,810p	.....	2.4

p=preliminary.
e=estimated.
¹Compared to estimated September, 1987.
²Estimated Westbound

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS:					
STATE	number	Feb., 1987	65,318	.....	−1.5
Oahu	number	Feb., 1987	38,815	.....	−0.5
Waikiki	number	Feb., 1987	34,014	.....	−1.8
Maui (Island)	number	Feb., 1987	13,264	.....	−1.4
Molokai	number	Feb., 1987	575	.....	−9.4
Lanai	number	Feb., 1987	10	.....	0.0
Hawaii	number	Feb., 1987	7,328	.....	0.7
Kauai	number	Feb., 1987	5,956	.....	0.6
HOTEL OCCUPANCY:					
STATE	percent	Sept.	75.7	−13.4	5.0
		Jan.-Sept.	82.3	.....	−0.6
Oahu	percent	Sept.	82.7	−11.4	8.8
		Jan.-Sept.	88.0	.....	1.3
Maui (Island)	percent	Sept.	66.7	−18.5	−9.6
		Jan.-Sept.	76.6	.....	−9.6
Hawaii	percent	Sept.	52.3	−20.5	2.8
		Jan.-Sept.	61.9	.....	−1.1
Kauai	percent	Sept.	70.3	−15.2	−2.0
		Jan.-Sept.	76.1	.....	−2.9
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 3rd Qtr.	1,471.2	.....	4.3
Military Payroll	mil. $	Yr. to 3rd Qtr.	651.2	.....	4.2
Civilian Payroll	mil. $	Yr. to 3rd Qtr.	440.0	.....	−3.5
Local Purchases	mil. $	Yr. to 3rd Qtr.	370.9	.....	12.3
SUGAR					
VALUE OF CROP SALES (Unprocessed Cane)	mil. $	1986	233.8	.....	5.1
SUGAR PRODUCTION	thous. tons	Jan.-Sept.	764.3	.....	−5.2
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Aug.	437.2	.....	4.9
PINEAPPLE					
VALUE OF CROP SALES (Fresh Equivalent)	thous. $	1986	99.7	.....	10.2
SHIPMENTS: FRESH	thous. lbs.	Jan.-Sept.	178.6	.....	−2.1
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1986	147,734	.....	11.4
FLOWERS & NURSERY PRODUCTS	thous. $	1986	49,094	.....	11.2
Anthurium Outshipments[3]	th. dozens	Jan.-Sept.	1,162.2	.....	−13.0
Potted Foliage Plants	thous. $	1986	12,931	.....	7.6
FRUITS & NUTS	thous. $	1986	51,806	.....	19.8
Papaya Sales	th. lbs.	Jan.-Oct.	44,625	.....	7.3
Average Farm Price	cents/lb.	Oct.	14.0	−6.7	−25.1
Macadamia Nut Sales (in shell)	th. lbs.	1986	44,000	.....	4.8
Average Farm Price	cents/lb.	1986	80.0	.....	10.3
VEGETABLES AND MELONS[4]	th. lbs.	Jan.-Oct.	59,555	.....	0.2
LIVESTOCK	thous. $	1986	83,429	.....	0.7
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Aug.	22,424	.....	1.8
Average Farm Price (Feedlot Beef)	cents/lb.	Aug.	86.0	0.0	6.2
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Aug.	4,261	.....	3.7
Average Farm Price	cents/lb.	Aug.	103.5	1.0	0.5
MILK PRODUCTION	mil. lbs.	Jan.-Aug.	107.3	.....	1.3
Average Price Sold to Plants	$/100 lbs.	Aug.	20.61	0.3	2.4
EGG PRODUCTION	mil.	Jan.-Aug.	149.8	.....	−1.6
Average Farm Price	cents/doz.	Aug.	78.0	−1.9	8.3
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Oct.	6,410	.....	3.1
GAS SALES	th. therms.	Jan.-Oct.	41,658	.....	3.7
TELEPHONE LINES IN SERVICE	thous.	Sept.	497.5	.....	4.9

p = preliminary.
[3]From Hawaii County.
[4]Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

its largest and longest stretch of continuous growth since 1974. Through September, construction-put-in-place stood at $1.4 billion, a 17-percent increase from 1986. Oahu led the state in the value of construction-put-in-place at $1.2 billion, up 16 percent from last year, while the Big Island recorded the largest percent gain of 33 percent. Maui was on another record pace with a September total of $75 million worth of construction, up 10 percent from 1986. Kauai also fared quite well with an increase of 19 percent from last year.

Residential construction showed no sign of slowing down with residential private permits authorized for the state up 25 percent from September 1986. On the other hand, non-residential permits were off by 40 percent for the same period. This pattern was generally reflected throughout each county, with the exception of Maui which recorded healthy increases in both residential and non-residential permits of 13 and 55 percent, respectively.

Real estate numbers through September continued to be favorable. State single-family home resales were up by 26 percent, while condominium resales were up 48 percent from the same period in 1986. In September, the average single-family house in the state sold for $237,427 and the average condominium sold for $125,704, an increase of 28 and 12 percent, respectively.

In agriculture, sugar production through September was off by 3 percent from last year at 667,500 tons. However, a 5-percent increase in the New York raw sugar price to $438 per ton helped to dampen this loss in production. The slowdown in sugar production was mostly attributable to ongoing restructuring in the industry for greater harvesting and processing efficiency. This upgrading by some of the state's largest sugar producers should improve sugar production over the coming years.

Elsewhere in agriculture, fresh pineapple shipments through September totaled 178,560 tons. This figure was off by 2 percent following last year's 3 percent decline. In diversified agriculture papaya sales were up a record 4.9 million pounds through September, an 8-percent increase over last year's sales mark. Anthurium outshipments, foliage and potted plants, and vegetable and melon production were realizing slight declines through 1987, but are still doing well considering last year's record performance. The livestock and dairy industries have held steadfast with little or no change in production through September.

MANUFACTURING IN HAWAII

In 1986, Hawaii produced and sold $565 million worth of diversified durable and nondurable products. These products included, in order of sales volume: processed foods; textiles and apparels; printed and published goods; construction materials; machinery and equipment; as well as various wood, stone, glass, and clay fabrications. However, these manufacturing sales are distressingly subaverage on a state-by-state comparison.

In 1985, Hawaii ranked 47th in the U.S. in terms of manufacturing as a percent of Gross State Product (GSP). In 1986, diversified manufacturing sales in Hawaii accounted for roughly 3 percent of GSP, while the U.S. average was 12 percent. The 21,000 manufacturing jobs currently held in Hawaii make up approximately 4 percent of the total state labor force, the U.S. average is 18 percent. Inflation adjusted manufacturing sales in Hawaii have declined every year since 1979.

These facts support the perception that manufacturing does not have a place in Hawaii: that Hawaii is too isolated or too small; or, that land, labor, and capital, are too scarce or expensive. While valid, many of these obstacles to manufacturing are not insurmountable. Hawaii's small size and location are poor excuses for the lack of manufacturing production. There are a number of regions throughout the Pacific and Asia with similar land size, population, and remoteness whose per-capita manufacturing sales far surpass Hawaii's.

Hong Kong and Singapore are examples of robust economies built on manufacturing bases with less resources than what is available to Hawaii. The most important factor that made the difference in these regions, besides cheap labor costs, were the concerted efforts made by their governments and private sectors to make manufacturing an attractive alternative to other industries.

Almost every autonomous economy is dominated by one industry and Hawaii is no exception. There is nothing inherently wrong with this notion. Hawaii has capitalized on its natural resources to create a $6-billion visitor industry.

However, overdependency on one industry can have undesirable repercussions, including vulnerability to macro-economic downturns, and wage inequities that could lead to increased social polarization.

In the past, Hawaii enjoyed a reasonable diversified economy with defense

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE					
STATE:	thous. $	Jan.-Sept.	1,591,764	.....	15.6
Oahu	thous. $	Jan.-Sept.	1,382,276	.....	14.7
Maui County	thous. $	Jan.-Sept.	78,420	.....	11.3
Hawaii	thous. $	Jan.-Sept.	96,333	.....	31.4
Kauai	thous. $	Jan.-Sept.	34,735	.....	24.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967=100	Oct.	378.5	0.1	−0.7
HIGH-RISE	1967=100	Oct.	388.2	0.2	−1.3
PRIVATE PERMITS AUTHORIZED					
STATE: RESIDENTIAL	thous. $	Jan.-Aug.	447,785	.....	17.6
Single Family Units	number	Jan.-Aug.	4,092	.....	37.0
Multiple Family Units	number	Jan.-Aug.	955	.....	−54.7
NONRESIDENTIAL	thous. $	Jan.-Aug.	234,468	.....	−37.2
OAHU: RESIDENTIAL	thous. $	Jan.-Oct.	332,250	.....	16.9
Single Family Units	number	Jan.-Oct.	2,272	.....	37.4
Multiple Family Units	number	Jan.-Oct.	445	.....	−77.7
NONRESIDENTIAL	thous. $	Jan.-Oct.	243,416	.....	44.9
MAUI CO.: RESIDENTIAL	thous. $	Jan.-Aug.	73,689	.....	10.2
Single Family Units	number	Jan.-Aug.	780	.....	23.6
Multiple Family Units	number	Jan.-Aug.	472	.....	210.5
NONRESIDENTIAL	thous. $	Jan.-Aug.	43,819	.....	49.9
HAWAII: RESIDENTIAL	thous. $	Jan.-Oct.	80,433	.....	35.2
Single Family Units	number	Jan.-Oct.	1,164	.....	23.2
Multiple Family Units	number	Jan.-Oct.	18	.....	−53.8
NONRESIDENTIAL	thous. $	Jan.-Oct.	34,666	.....	−77.8
KAUAI: RESIDENTIAL	thous. $	Jan.-Oct.	53,026	.....	52.1
Single Family Units	number	Jan.-Oct.	494	.....	37.2
Multiple Family Units	number	Jan.-Oct.	3	.....	50.0
NONRESIDENTIAL	thous. $	Jan.-Oct.	37,770	.....	−22.1
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	Jan.-Oct.	343,129	.....	−12.7
Oahu	thous. $	Jan.-Oct.	269,334	.....	−7.9
Maui County	thous. $	Jan.-Oct.	24,421	.....	−57.2
Hawaii	thous. $	Jan.-Oct.	29,619	.....	−4.1
Kauai	thous. $	Jan.-Oct.	19,757	.....	54.9
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	Jan.-Oct.	104,418	.....	10.4
State	thous. $	Jan.-Oct.	153,233	.....	−21.1
County	thous. $	Jan.-Oct.	85,567	.....	−18.0
REAL ESTATE RESALES					
STATE: Single Family	number	Jan.-Oct.	3,407	.....	22.6
Average Price	dollars	Jan.-Oct.	237,164	.....	28.6
Condominium	number	Jan.-Oct.	4,918	.....	46.0
Average Price	dollars	Jan.-Oct.	127,141	.....	13.2
OAHU: Single Family	number	Jan.-Oct.	2,330	.....	22.6
Average Price	dollars	Jan.-Oct.	278,998	.....	34.3
Condominium	number	Jan.-Oct.	3,821	.....	47.2
Average Price	dollars	Jan.-Oct.	124,473	.....	16.2
MAUI CO.: Single Family	number	Jan.-Oct.	388	.....	18.7
Average Price	dollars	Jan.-Oct.	189,927	.....	6.7
Condominium	number	Jan.-Oct.	747	.....	38.8
Average Price	dollars	Jan.-Oct.	144,176	.....	−0.4
HAWAII: Single Family	number	Jan.-Oct.	535	.....	23.3
Average Price	dollars	Jan.-Oct.	113,879	.....	14.6
Condominium	number	Jan.-Oct.	174	.....	68.9
Average Price	dollars	Jan.-Oct.	124,154	.....	36.9
KAUAI: Single Family	number	Jan.-Oct.	158	.....	32.8
Average Price	dollars	Jan.-Oct.	147,786	.....	5.8
Condominium	number	Jan.-Oct.	176	.....	33.3
Average Price	dollars	Jan.-Sept.	125,243	.....	27.6

n.a. = not available.

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population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,178.8	.....	2.3
Total Resident Population	thous.	July 1, 1986	1,062.3	.....	0.8
OAHU:					
Total De Facto Population	thous.	July 1, 1986	877.3	.....	1.4
Total Resident Population	thous.	July 1, 1986	816.7	.....	0.3
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1986	110.0	.....	−4.8
Total Resident Population	thous.	July 1, 1986	87.6	.....	2.7
HAWAII:					
Total De Facto Population	thous.	July 1, 1986	120.0	.....	3.7
Total Resident Population	thous.	July 1, 1986	111.8	.....	2.4
KAUAI:					
Total De Facto Population	thous.	July 1, 1986	60.3	.....	8.4
Total Resident Population	thous.	July 1, 1986	46.4	.....	3.6
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION[1]	number	Jan.-Oct.	4,718	.....	−2.6

p = preliminary.
[1]Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr.	16,870p	2.2	8.9
EMPLOYMENT INCOME[1]	mil. $	2nd Qtr.	12,726p	2.4	8.0
Manufacturing	mil. $	2nd Qtr.	572p	1.2	5.9
Construction & Mining	mil. $	2nd Qtr.	914p	2.0	18.4
Wholesale	mil. $	2nd Qtr.	495p	2.3	8.8
Retail	mil. $	2nd Qtr.	1,481p	2.3	14.7
Finance, Ins., & Real Estate	mil. $	2nd Qtr.	941p	2.2	13.0
Trans., Comm., & Util.	mil. $	2nd Qtr.	1,096p	6.2	14.4
Services	mil. $	2nd Qtr.	3,114p	2.9	6.5
Farm & Other	mil. $	2nd Qtr.	453p	14.4	7.3
Federal Civilian	mil. $	2nd Qtr.	970p	0.5	−0.8
Federal Military	mil. $	2nd Qtr.	1,345p	0.5	−0.3
State & Local	mil. $	2nd Qtr.	1,395p	2.6	11.2
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	2nd Qtr.	2,422p	1.0	6.4
TRANSFER PAYMENTS (2,514) minus Personal Contributions for Social Insurance (791)	mil. $	2nd Qtr.	1,723p	2.4	20.5
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1986	14,691	.....	6.1
Oahu	dollars	1984	13,709	.....	5.7
Maui County	dollars	1984	11,611	.....	5.9
Hawaii	dollars	1984	9,998	.....	5.2
Kauai	dollars	1984	10,564	.....	6.9

***Total personal income and all components are seasonally adjusted at annual rates.*
[1]Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

HAWAIIAN BANK

spending, construction, agriculture, and manufacturing, somewhat offsetting tourism's predominant share of Gross State Product. But, over the years there has been dramatic disparity in growth among the various sectors of the economy. Most industries grew at a slower pace or declined, while tourism grew by leaps and bounds, further expanding its share of GSP.

Industry Percentage of GSP

	1976	1986	% Change
Tourism	23.8	36.9	up 55%
Military	13.1	10.7	dn 22%
Construction	12.8	10.3	dn 24%
Agriculture	6.0	3.6	dn 67%
Manufacturing	5.2	3.3	dn 58%

Labor statistics support the fact that service-industry dominance leads to labor and wage inequities. Low-scale service-related jobs account for 55 percent of the total jobs in the state. These jobs average $6.75 per hour, while manufacturing jobs in Hawaii currently average 40 percent more at roughly $9.50 per hour. As the state becomes more and more dependent on tourism, low-wage service-type jobs will increase, thus expanding the subsistence level population of Hawaii. This could ultimately widen the gap between the haves and have-nots and lead to greater social tension.

This service-industry trend is unlikely to change in the near future. In addition, Hawaii has little or no control over other sectors of the economy. For example, the state has absolutely no control over military spending, which will maintain its current levels at best. Agriculture has very limited growth potential due to high production costs and limited land availability, and little can be done to augment construction industry growth. However, manufacturing can grow here in Hawaii; but, this opportunity will not be realized without the support of strong state economic-development policies.

There has been a renewed effort by the state to improve Hawaii's image as a place to do business. The question is whether that will be enough to lure manufacturers from the mainland. Many cities across the U.S. are offering various incentives to encourage investment in manufacturing.

These incentives are collected and cumulated into an index for the forty-eight continuous states, and are closely monitored by large U.S. and foreign firms to identify the most cost efficient sites. These indices consist of the following 15 components:

1. taxes;

2. state expenditures vs. tax collections;
3. state debt/surplus;
4. existing R&D facilities;
5. transportation costs;
6. workman's compensation insurance;
7. personal income and wages;
8. unionization;
9. vocational education enrollment;
10. no. of high school educated adults;
11. average workweek hours;
12. energy costs;
13. environmental controls;
14. population density; and,
15. unemployment compensation.

Hawaii lags severely in the following categories:

Transportation cost is a particularly difficult factor for manufacturing because of the inputs required in the manufacturing process. This suggests that low-volume, material-intensive production will tend to remain abroad. However, shipping costs to and from Hawaii are comparable in cost and time to mainland shipping from the west coast to the east coast. In addition, high-volume manufacturing could greatly reduce shipping costs relative to total costs.

The educational base in Hawaii has also been an obstacle to manufacturing. The University of Hawaii produces highly educated workers, but it educates few scientists, engineers, and technicians. Moreover, the community college system provides few vocational education programs relating to manufacturing. However, the situation is improving, enrollment at the U.H. School of Electrical Engineering has risen sharply in the last year, and the Honolulu Community College has just started a pre-engineering program in addition to building up its science, math and high-technology programs.

Research and development are the foundation from which manufacturing can evolve. Hawaii has made significant strides in some fields as astrophysics, geophysics, agriculture, and ocean sciences. But, Hawaii lags far behind the nation in new product development or new processing procedures for existing products. Total spending on civilian R&D is also below that of most states. The average state spends roughly 2 percent of GSP on civilian R&D, while Hawaii spends less than 1 percent.

The question is how to identify the types of manufacturing which Hawaii is most likely to attract.

Theoretically, the state should attract

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	Sept.	493.3p	−2.7	1.8
Employment	thous.	Sept.	474.7p	−2.7	2.7
Unemployment	thous.	Sept.	18.6p	−1.1	−16.7
Unemployment Rate	percent	Sept.	3.8p	2.7	−17.4
OAHU:					
Civilian Labor Force	thous.	Sept.	368.3p	−2.9	1.5
Employment	thous.	Sept.	355.5p	−2.9	2.4
Unemployment	thous.	Sept.	12.8p	−0.8	−16.9
Unemployment Rate	percent	Sept.	3.5p	2.9	−16.7
MAUI COUNTY:					
Civilian Labor Force	thous.	Sept.	49.1p	−3.1	2.0
Employment	thous.	Sept.	46.9p	−3.5	2.4
Unemployment	thous.	Sept.	2.2p	7.3	−6.4
Unemployment Rate	percent	Sept.	4.5p	9.8	−8.2
HAWAII:					
Civilian Labor Force	thous.	Sept.	51.4p	−3.0	1.6
Employment	thous.	Sept.	48.7p	−2.6	3.3
Unemployment	thous.	Sept.	2.7p	−10.0	−21.7
Unemployment Rate	percent	Sept.	5.3p	−5.4	−22.1
KAUAI:					
Civilian Labor Force	thous.	Sept.	24.3p	2.3	6.1
Employment	thous.	Sept.	23.4p	2.4	7.8
Unemployment	thous.	Sept.	0.9p	0.0	−21.7
Unemployment Rate	percent	Sept.	3.8p	0.0	−25.5
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Sept.	497.3p	−2.1	3.2
SUGAR (Mill and Field)	thous.	Sept.	6.8p	−0.7	−6.2
PINEAPPLE (Cannery and Field)	thous.	Sept.	3.9p	−17.9	6.8
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	Sept.	17.0p	0.3	1.5
Durable Goods	thous.	Sept.	4.2p	2.4	9.1
Non-Durable Goods	thous.	Sept.	12.8p	−0.4	0.0
Apparel and Textiles	thous.	Sept.	2.9p	−1.7	−6.3
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	Sept.	9.3p	−1.1	20.6
CONTRACT CONSTRUCTION	thous.	Sept.	21.4p	−1.2	3.9
TRANSPORTATION	thous.	Sept.	24.9p	1.2	1.6
COMMUNICATION	thous.	Sept.	7.0p	−1.4	−0.7
UTILITIES	thous.	Sept.	2.6p	−1.9	1.9
RETAIL TRADE	thous.	Sept.	100.1p	−0.1	2.9
WHOLESALE TRADE	thous.	Sept.	19.6p	−0.5	1.3
FINANCE, INSURANCE AND REAL ESTATE	thous.	Sept.	33.7p	−0.3	2.3
HOTEL SERVICES—STATE	thous.	Sept.	31.7p	2.4	9.1
Oahu	thous.	Sept.	16.9p	−1.5	4.0
Maui County	thous.	Sept.	7.3p	0.0	11.5
Hawaii	thous.	Sept.	3.9p	−1.3	0.0
Kauai	thous.	Sept.	3.6p	40.4	52.1
OTHER SERVICES	thous.	Sept.	93.6p	−0.4	3.9
FEDERAL GOVERNMENT	thous.	Sept.	32.7p	1.4	2.3
Civilian Agencies	thous.	Sept.	12.7p	4.5	8.1
Defense Department	thous.	Sept.	20.0p	−0.5	−1.0
STATE GOVERNMENT	thous.	Sept.	43.3p	−6.7	2.2
COUNTY GOVERNMENT	thous.	Sept.	13.2p	−13.1	−1.9
NON-AGRICULTURE SELF-EMPLOYED	thous.	Sept.	36.0p	−12.2	3.2
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	Sept.	7,176	−9.8	−18.5
INTRASTATE INITIAL CLAIMS	number	Jan.-Sept.	41,025	.....	−11.9
INTERSTATE INITIAL CLAIMS	number	Jan.-Sept.	2,535	.....	−15.7
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Sept.	37,799	.....	−14.4

p=preliminary.
*Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	Sept.	48,491	−1.6	−6.3
Payments	thous. $	Jan.-Sept.	65,003	.....	−5.8
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	Oct.	46,994	15.9	−10.9
Payments	thous. $	Jan.-Oct.	137,631	.....	0.5
FOOD STAMPS:					
Recipients[1]	no./persons	Aug.	83,554	1.1	−7.9
Payments	thous. $	Jan.-Aug.	56,521	.....	−4.5
SERVICES:					
Recipients[1]	no./cases	2nd Qtr.	7,729	3.2	−7.2
Payments	thous. $	2nd Qtr.	4,878	.....	11.5

[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	Oct.	9,228.5	3.1	15.3
Debits To Demand Deposits	mil. $	Jan.-Oct.	101,406.2	.....	14.2
OAHU:					
Total Deposits	mil. $	Oct.	7,715.9	3.2	16.0
Debits To Demand Deposits	mil. $	Jan.-Oct.	91,899.6	.....	14.6
MAUI COUNTY:					
Total Deposits	mil. $	Oct.	589.3	3.5	13.2
Debits To Demand Deposits	mil. $	Jan.-Oct.	4,149.8	.....	16.8
HAWAII:					
Total Deposits	mil. $	Oct.	632.0	2.8	11.0
Debits To Demand Deposits	mil. $	Jan.-Oct.	3,622.7	.....	11.2
KAUAI:					
Total Deposits	mil. $	Oct.	291.3	0.8	11.0
Debits To Demand Deposits	mil. $	Jan.-Oct.	1,734.2	.....	16.9
BANK LOANS OUTSTANDING—STATE[1]	mil. $	3rd Qtr.	5,479.7	1.3	19.9
Real Estate	mil. $	3rd Qtr.	2,413.7	2.7	20.5
Consumer	mil. $	3rd Qtr.	1,048.1	1.1	−1.8
Commercial & Industrial	mil. $	3rd Qtr.	1,625.9	2.5	21.4
Other	mil. $	3rd Qtr.	282.8	3.6	3.1
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU SAVINGS & LOAN ASSOCIATIONS[1]	percent	Oct.	11.0	2.8	8.9
TOTAL DEPOSITS	mil. $	Aug.	3,580.0	0.3	0.1
TOTAL LOANS	mil. $	Aug.	122.8	17.2	na
MORTGAGE LOANS	mil. $	Aug.	109.8	19.1	9.1
TAX COLLECTIONS:[2]					
STATE	thous. $	Jan.-Oct.	1,595,622	.....	15.2
Oahu	thous. $	Jan.-Oct.	1,373,635	.....	15.7
Maui County	thous. $	Jan.-Oct.	97,116	.....	15.5
Hawaii	thous. $	Jan.-Oct.	86,506	.....	12.7
Kauai	thous. $	Jan.-Oct.	38,462	.....	4.4

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in July, 1985.

high value-added manufacturing utilizing high-levels of technology and specialized labor. Manufacturing of precision electronic products such as computers, televisions, stereos, and cameras, requires capital intensive high-technology equipment and technically trained labor for their production. These inputs add higher value to products as opposed to products which do not require such inputs. For example, the manufacturing of concrete blocks requires little in the way of high-technology and specialized labor and is therefore regarded as low value-added manufacturing.

This may be a good time to attract high value-added manufacturing to Hawaii, not from the mainland, but from the Pacific Rim countries. Countries such as Japan, Korea, Taiwan, and Malaysia are sincerely interested in locating high-tech assembly, packaging, and shipping operations to the U.S. to offset their trade surpluses with the United States. Hawaii's strategic location combined with an appealing high-tech manufacturing climate could put the state in a good position to draw that type of industry here.

Another possibility is the cultivation of Hawaii's strengths in natural resources and labor to develop new marketable products and processing procedures. For example, Hawaii's ocean mining industry has tremendous long-term potential for mineral processing and new-product development.

Hawaii is in a unique position to subsidize its manufacturing incentives because of its large tourism income base. Many depressed areas throughout the U.S. and the world are not in such a financially strong position to offer such incentives, but they still do.

A number of different policy approaches are available to the state government, including: venture capital; technical and managerial assistance; market-development support; the provision of skilled labor; and tax and business-cost incentives.

One approach is the development of an "enterprise zone," which is a designated area in which exemptions from excise taxes, red tape in business start-ups, and credits on taxes and insurance would be offered.

If the state and counties made a concerted effort to increase their competitiveness and spent even a fraction of their available resources on developing aggressive business-development policies, and workable enterprise zones, there is no reason why high-wage, high value-added industries could not flourish in Hawaii.

ECONOMIC INDICATORS

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by the Research Department, First Hawaiian Bank
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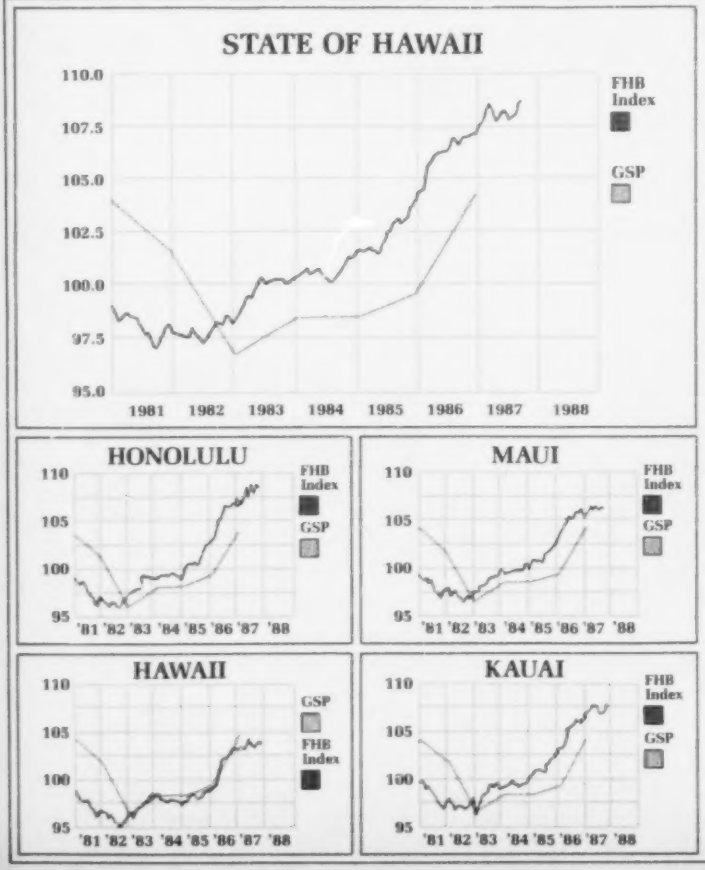

FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

The First Hawaiian Bank Index of Leading Economic Indicators, through the third quarter of 1987, recorded a net gain of 0.9 percent from year-end 1986. Economic growth statewide should see moderate improvement over the next six months. The five base index components showed a decline in the average prime rate, consumer price index, and average workweek hours, while Hawaii stock and Federal money supply indexes recorded gains. Three of the four county indexes showed moderate but stable growth rates ahead. Honolulu realized gains in building permits, public contracts awarded, and visitor counts, while employment, workweek hours, and credit demand suffered slight declines. Maui saw substantial gains in public contracts awarded and visitor counts, but declines in employment, credit demand, and building permits. On the Big Isle, only building permits were up slightly from the previous month, pushing the Hawaii county index into a negative growth projection for the next six months. For Kauai, all the components showed positive gains with only the unemployment index showing a decline.

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ECONOMIC INDICATORS

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Revitalizing Honolulu's Waterfront

After years of being overlooked, Honolulu's waterfront is being recognized for its vast development potential. The state, following the successes of several Mainland cities, is pushing for a revitalization of Honolulu's shoreline. The potential benefits of such a project could be enormous. A fully developed waterfront area could confirm Honolulu as the premier metropolitan center of the Pacific, create an entirely new urban character for Honolulu, and provide a major stimulus to the economy of Hawaii.

The 346-acre area under consideration stretches from Ala Moana Beach Park to the Honolulu Harbor up to Pier 21, with Ala Moana Boulevard and Nimitz Highway as the mauka boundaries. Over half of this land is being used for waterfront and light industrial activities. Another 35 percent is park land, while six percent remain vacant, unused parcels or structures. Most of the land is state owned.

A recent effort by Governor Waihee to involve public and private agencies in the design of the waterfront area produced three different approaches for the use of the waterfront land. One option favors the construction of a convention center with a 4,000 seat auditorium and a 200,000 square foot exhibition hall. Hotels, adding another 1,500 rooms to Oahu's inventory, would be built to accommodate those using the convention facility. Another option envisions more of a residential and open-space type development with approximately two to six million square feet of housing as well as additional park land. The third option favors commercial development. A cluster of high rise buildings would double Honolulu's downtown commercial/office space by adding another 10 to 11 million square feet to that already existing.

Despite their differences, these approaches also have much in common. All three plans emphasize the development of the 210-acre parcel of land between Kewalo Basin and the Aloha Tower. Improvements to this area would involve extensive dredging and filling to reshape the shoreline. The Hawaii Community Development Authority (HCDA) would oversee its development.

Another emphasis is the development of maritime facilities in the harbor for interisland and commuter ferries, as well as for passenger liners. Expansion of shipping facilities is also a priority. One possibility includes the State Department of Transportation buying the Kapalama Military Reservation from the federal government to increase the harbor's capacity.

Another important aspect is the development of a mix of activities that would appeal to the local community as well as visitors. Cultural exhibits, ethnic museums, and an aquarium have been worked into the different plans; they would accompany the residential units in the area to make them more appealing to the local community. A shoreline market similar to those in Baltimore and New York would act as another attraction for residents. Park land offering fishing and swimming opportunities is expected to please those seeking outdoor activities.

One important issue will be the need to develop a whole new road and mass transit system to service the increased traffic demands generated by the development.

The project will also require enormous filling and digging that could alter the ecosystem of the coastline. Unforeseen environmental issues such as disruptions of the marine environment, or the threatening of endangered species could result. While it is impossible to know what issues will arise, the need to minimize environmental disruptions is obvious.

If these issues are handled successfully, the new waterfront could help meet Honolulu's need for additional housing, recreational space, and cultural facilities. Expanding the harbor will accommodate increased shipping activity that will accompany the growth of the Hawaiian economy. The waterfront's appeal could also stimulate future economic growth in the area by attracting investment and business from abroad. In doing so, it will contribute to Hawaii's role as the commercial hub of the Pacific.

Tapping the growth potential of the Honolulu waterfront is long overdue. Given the efforts of Governor Waihee to start the project, careful planning and perseverance are required to make the most of this resource. While the development plans will take years to implement, they will provide a major stimulus to the local economy, substantially improve the urban design character of Honolulu, and reassert the appeal of downtown Honolulu as a gathering place for both visitors and local residents, alike. In doing so, it will increase the stature of Honolulu as the metropolitan center of the Pacific, and Hawaii's overall importance in the Pacific region.

FIRST HAWAIIAN BANK
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JANUARY/FEBRUARY FEATURE STORY: HAWAII'S INTERISLAND SHIPPING INDUSTRY

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CURRENT BUSINESS TRENDS

November proved to be positive for business in Hawaii, as a re-energized visitor industry and steady growth in construction fueled the economy.

Cumulative gross business receipts for the first 11 months of 1987 came to $27 billion, 13 percent over 1986. Oahu and Hawaii led the way with 14- and 17-percent increases, respectively. Maui and Kauai, with cumulative totals of $1.7 billion and $711 million, experienced more moderate 4-percent increases over last year.

Impressive gains in state tax collections accompanied these increases in November business receipts. Taxes collected through November, of $1.7 billion, were growing by 16 percent over 1986. Kauai is the only county that is not matching or surpassing last year's growth in tax collections.

Employment figures also indicate a healthy economy. Employment growth has been greater than increases in the civilian labor force on all islands. As a result, unemployment has dropped drastically. Oahu had the lowest 11-month cumulative unemployment rate in the state of 3.6 percent. Kauai's cumulative unemployment rate fell to 4.4 percent, and Maui was right behind at 4.5 percent. The Big Island still suffers from a relatively high unemployment rate of 6 percent, but its decline paralleled those on the other islands.

Hawaii is one of the few states at or near full employment. As of November, the state unemployment rate stood at 4 percent, with 21 percent fewer unemployed workers than last year. Wages, however, have not yet seen the kind of escalation that is occurring in other cities across the country.

Innovative ideas are alleviating some of the hiring pressure in some of the more critical areas. For example, West Maui employers are hiring Molokai residents. The new Molokai-to-Maui interisland ferry offers a convenient link between West Maui businesses facing a tight labor market, and Molokai, with its notoriously high unemployment rate.

Tourism is doing its part to spark the economy despite the October stock market crash. After a slow second half of the year the visitor industry rebounded in the last months of 1987. As of November, total visitors staying overnight or longer came to 5.3 million people, up by 4 percent. That puts the visitor growth rate back into the 3 to 5 percent growth range forecast of the HVB. December is traditionally a stronger month than November, so it is likely that the visitor count will finish up the year in this range.

The pickup in the visitor count can be attributed to the strong eastbound market, particularly Japan. (The millionth Japanese visitor was welcomed to the islands in November.) The eastbound market is 18 percent ahead of last year, showing the biggest increase since 1984. The westbound market showed continued weakness through November with the cumulative visitor count one percent lower than in 1986.

Island totals for westbound visitors showed mixed results through November. Oahu and Maui visitor counts declined by 2 and 4 percent, respectively. Hawaii County saw 2 percent more visitors than last year. Kauai is headed for its second year of hosting more than a million people, with the cumulative total through November 3 percent higher than last year at 960,860.

Hotel occupancy rates have not reflected this growth in visitors. For the state, the cumulative occupancy rate through November was the same as it was in 1986 at 82 percent. Of the four major islands, only Oahu increased over last year. Oahu's 88 percent was the highest in the state, and 2 percent greater than the 1986 January-to-November figure. Maui suffered the most in 1987. The 11-month cumulative average of 78 percent was 8 percent lower than that in 1986: the lowest cumulative occupancy rate since 1983, when it was 76 percent. Kauai and the Big Island endured less severe reductions of 2 and 3 percent, respectively.

Construction continued at a rapid pace through November, especially on the Big Island and Kauai. Big Island construction in 1987 is having the type of year that the other islands had in 1986. A total of $119 million of construction was put in place through November. That is a 34-percent increase over 1986. Cumulative totals have in-

u. s. economic indicators

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	3rd Qtr.	4,524 r	1.8	6.0
In 1982 Dollars	bil. $	3rd Qtr.	3,836 r	1.1	3.2
PERSONAL INCOME**	bil. $	Nov.	3,834p	−0.4	6.8
INTEREST RATES					
AVERAGE PRIME RATE	percent	Dec.	8.75	−0.3	16.7
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	Oct.	407.9p	−0.5	3.3
CONSTRUCTION COST INDEXES:					
Residences	1967 = 100	Sept.	374.8	0.5'	1.6
Apts., Hotels, Office Bldgs.	1967 = 100	Sept.	372.3	0.4'	1.6
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	Nov.	113,500	0.3	2.8
UNEMPLOYMENT*	thous.	Nov.	7,116	−0.8	−13.7
UNEMPLOYMENT RATE*	percent	Nov.	5.9	−1.7	−14.5
PRICES					
CONSUMER PRICE INDEXES:					
Wage Earners and Clerical Workers	1967 = 100	Nov.	340.4	0.1	4.6
All Urban Consumers	1967 = 100	Nov.	345.8	0.1	4.5
PRODUCER PRICE INDEXES:					
Finished Goods*	1967 = 100	Nov.	297.6	0.0	2.5
All Commodities	1967 = 100	Oct.	311.4	0.3	4.4

r = revised.
p = preliminary.
'Compared to July, 1987.
*Seasonally adjusted.
**Seasonally adjusted at annual rates.

business activity in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
BUSINESS SALES					
GROSS BUSINESS RECEIPTS:					
STATE	mil. $	Jan.-Nov.	27,188.3	.....	13.3
Oahu	mil. $	Jan.-Nov.	22,957.7	.....	14.0
Maui County	mil. $	Jan.-Nov.	1,749.2	.....	4.4
Hawaii	mil. $	Jan.-Nov.	1,770.4	.....	17.5
Kauai	mil. $	Jan.-Nov.	711.0	.....	4.2
DIVERSIFIED MANUFACTURING	mil. $	Jan.-Nov.	544.5	.....	5.8
DIVERSIFIED AGRICULTURE	mil. $	Jan.-Nov.	243.8	.....	6.7
RETAILING	mil. $	Jan.-Nov.	9,617.1	.....	10.7
WHOLESALING	mil. $	Jan.-Nov.	6,712.7	.....	15.5
SERVICES	mil. $	Jan.-Nov.	6,476.4	.....	12.2
OAHU NEW CAR SALES	number	Nov.	4,369p	.....	32.2
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	Nov.	325.2e	0.0'	4.7
All Urban Consumers	1967 = 100	Nov.	317.9e	−0.2'	4.6
TOURISM					
VISITOR EXPENDITURES	mil. $	1986	5,550p	.....	13.6
OVERNIGHT OR LONGER VISITORS	number	Nov.	459,340p	−2.2	5.7
	number	Jan.-Nov.	5,300,030p	.....	3.7
Westbound	number	Nov.	338,060p	−2.5	2.1
	number	Jan.-Nov.	3,869,250p	.....	−0.7
Eastbound	number	Nov.	121,280p	−1.4	17.4
	number	Jan.-Nov.	1,430,780p	.....	17.8
AVERAGE DAILY VISITOR CENSUS	number	Jan.-Nov.	116,340p	.....	−0.2
AVERAGE LENGTH OF STAY	no. of days	Jan.-Nov.	10.0p	.....	0.0
MEETING ATTENDANCE	number	Jan.-Nov.	301,395	.....	34.0
ORGANIZED GROUP TOURS	number	Jan.-Nov.	700,830p	.....	−11.2
VISITOR COUNT BY COUNTY*					
Oahu	number	Nov.	244,410p	−5.0	1.3
	number	Jan.-Nov.	2,840,360p	.....	−1.6
Maui County	number	Nov.	158,720p	−2.7	−0.9
	number	Jan.-Nov.	1,769,960p	.....	−4.2
Hawaii	number	Nov.	59,490p	−9.3	1.9
	number	Jan.-Nov.	722,280p	.....	1.6
Kauai	number	Nov.	79,940p	−14.0	3.1
	number	Jan.-Nov.	960,860p	.....	3.2

p = preliminary.
e = estimated.
'Compared to October, 1987.
*Estimated Westbound

business activity in hawaii [cont.]

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
VISITOR ACCOMMODATIONS					
STATE	number	Feb., 1987	65,318	.....	−1.5
Oahu	number	Feb., 1987	38,815	.....	−0.5
Waikiki	number	Feb., 1987	34,014	.....	−1.8
Maui (Island)	number	Feb., 1987	13,264	.....	−1.4
Molokai	number	Feb., 1987	575	.....	−9.4
Lanai	number	Feb., 1987	10	.....	0.0
Hawaii	number	Feb., 1987	7,328	.....	0.7
Kauai	number	Feb., 1987	5,956	.....	0.6
HOTEL OCCUPANCY					
STATE	percent	Nov.	81.3	0.2	1.0
		Jan.-Nov.	82.1	.....	0.0
Oahu	percent	Nov.	86.8	1.4	3.1
		Jan.-Nov.	87.6	.....	2.0
Maui (Island)	percent	Nov.	78.0	−0.1	−5.2
		Jan.-Nov.	77.5	.....	−8.0
Hawaii	percent	Nov.	60.6	−1.3	−2.1
		Jan.-Nov.	61.6	.....	−1.6
Kauai	percent	Nov.	71.9	−9.1	−5.8
		Jan.-Nov.	76.0	.....	−2.8
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	Yr. to 3rd Qtr.	1,469.4	.....	4.2
Military Payroll	mil. $	Yr. to 3rd Qtr.	649.7	.....	4.0
Civilian Payroll	mil. $	Yr. to 3rd Qtr.	448.8	.....	−1.4
Local Purchases	mil. $	Yr. to 3rd Qtr.	370.9	.....	12.3
SUGAR					
VALUE OF CROP SALES					
(Unprocessed Cane)	mil. $	1986	233.8	.....	5.1
SUGAR PRODUCTION	thous. tons	Jan.-Nov.	935.3	.....	−6.6
AVERAGE N. Y. RAW SUGAR PRICE	$/ton	Jan.-Nov.	436.8p	.....	4.6
PINEAPPLE					
VALUE OF CROP SALES					
(Fresh Equivalent)	thous. $	1986	99.7	.....	10.1
SHIPMENTS: FRESH	thous. lbs.	Jan.-Nov.	215.6	.....	−2.9
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	1986	147,734	.....	11.4
FLOWERS & NURSERY PRODUCTS	thous. $	1986	49,094	.....	11.2
Anthurium Outshipments*	th. dozens	Jan.-Oct.	1,292.7	.....	−15.2
Potted Foliage Plants	thous. $	1986	12,931	.....	7.6
FRUITS & NUTS	thous. $	1986	51,806	.....	19.8
Papaya Sales	th. lbs.	Jan.-Nov.	50,405	.....	10.2
Average Farm Price	cents/lb.	Nov.	15.0	7.1	3.4
Macadamia Nut Sales (in shell)	th. lbs.	1986	44,000	.....	4.8
Average Farm Price	cents/lb.	1986	80.0	.....	10.3
VEGETABLES AND MELONS*	th. lbs.	Jan.-Nov.	63,417p	.....	−0.1
LIVESTOCK	thous. $	1986	83,429	.....	0.7
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Oct.	28,315	.....	3.2
Average Farm Price (Feedlot Beef)	cents/lb.	Oct.	87.5	0.6	7.4
HOG PRODUCTION (Dressed Wt.)	th. lbs.	Jan.-Oct.	5,269	.....	0.2
Average Farm Price	cents/lb.	Nov.	105.0	1.4	1.4
MILK PRODUCTION	mil. lbs.	Jan.-Nov.	143.1	.....	0.4
Average Price Sold to Plants	$/100 lbs.	Nov.	21.01	0.0	1.6
EGG PRODUCTION	mil.	Jan.-Nov.	203.9	.....	−2.0
Average Farm Price	cents/doz.	Nov.	79.0	0.0	11.3
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	Jan.-Nov.	7,067	.....	3.3
GAS SALES	th. therms.	Jan.-Nov.	45,825	.....	3.8
TELEPHONE LINES IN SERVICE	thous.	Nov.	502.3	.....	5.1

p = preliminary.
*From Hawaii County.
*Includes snap beans, cabbage, celery, sweet corn, cucumbers, onions, green peppers, tomatoes, and watermelons.

creased over 1986 by 26 percent or more for the entire year. Kauai started the year off slowly, but has picked up momentum. Cumulative totals show construction-put-in-place coming to $43 million, up by 32 percent. Oahu and Maui have seen more moderate rates of growth. Cumulative totals come to $1.7 billion for Oahu and $96 million for Maui, 19 and 14 percent greater than last year. The state total of $2 billion, up 20 percent from 1986, indicates construction is still doing well, but leveling off from the spectacular rates of growth in 1986.

Government construction, as measured by public contracts awarded, is also slowing down in 1987. Cumulative totals for the state show November's $353 million worth of contracts 14 percent less than in 1986. Oahu, Maui, and Hawaii have seen reductions of 9, 57, and 10 percent in government-sponsored construction. Kauai is the only county where public contracts have increased over 1986, doing so by 60 percent. Of the three levels of government, federal, state, and county, only the federal government is pumping more money into the local construction industry. Cumulative federal expenditures are up 5 percent, while state and county spending are down by 21 and 19 percent from last year.

Military expenditures surged ahead of last year. After lackluster first and second quarters, military spending increased by 4 percent in the third quarter due to a 12-percent rise in local purchases by the military. This is a complete about-face from the first quarter when local purchases were down by 13 percent. Expenditures on military payroll have continued to rise in 1987. Third-quarter spending increased by 4 percent over last year. Civilian payroll has not switched direction, however, decreasing by 1 percent below 1986.

The agricultural sector spanned the performance spectrum in November. The sugar industry is hanging by a thread as sugar-subsidy opponents continue to protest the government-set price of approximately 21 cents per pound. Local growers have had a disappointing year with production, through November, down by 7 percent from 1986. Fresh pineapple shipments are also down by 3 percent. After a year of strong growth in 1986, anthurium growers suffered setbacks in 1987. The cumulative total through October is 15 percent below what it was in 1986. Vegetable and melon production has been flat through November. Papaya growers have seen their total sales increase by 10 percent, and the average price by 3 percent, over the previous year.

business activity in hawaii [cont.]

Series		Unit	Period	Number	Percent Change preceding period	Percent Change year ago
CONSTRUCTION PUT IN PLACE						
STATE		mil. $	Jan.-Nov.	1,997.9	.....	20.0
Oahu		mil. $	Jan.-Nov.	1,739.7	.....	19.2
Maui County		thous. $	Jan.-Nov.	96,387	.....	13.9
Hawaii		thous. $	Jan.-Nov.	118,947	.....	34.4
Kauai		thous. $	Jan.-Nov.	42,901	.....	32.0
HONOLULU CONSTRUCTION COST INDEXES						
SINGLE FAMILY		1967 = 100	Dec.	387.1	1.3	4.0
HIGH-RISE		1967 = 100	Dec.	392.8	0.4	2.2
PRIVATE PERMITS AUTHORIZED						
STATE:	RESIDENTIAL	thous. $	Jan.-Sept.	506,005	.....	19.2
	Single Family Units	number	Jan.-Sept.	4,648	.....	37.5
	Multiple Family Units	number	Jan.-Sept.	993	.....	−54.4
	NONRESIDENTIAL	thous. $	Jan.-Sept.	276,424	.....	−29.7
OAHU:	RESIDENTIAL	thous. $	Jan.-Nov.	368,244	.....	19.8
	Single Family Units	number	Jan.-Nov.	2,610	.....	41.5
	Multiple Family Units	number	Jan.-Nov.	537	.....	−73.5
	NONRESIDENTIAL	thous. $	Jan.-Nov.	283,847	.....	56.6
MAUI CO.:	RESIDENTIAL	thous. $	Jan.-Sept.	81,128	.....	4.7
	Single Family Units	number	Jan.-Sept.	876	.....	24.3
	Multiple Family Units	number	Jan.-Sept.	472	.....	159.3
	NONRESIDENTIAL	thous. $	Jan.-Sept.	45,412	.....	23.8
HAWAII:	RESIDENTIAL	thous. $	Jan.-Nov.	93,576	.....	47.0
	Single Family Units	number	Jan.-Nov.	1,272	.....	23.7
	Multiple Family Units	number	Jan.-Nov.	200	.....	412.8
	NONRESIDENTIAL	thous. $	Jan.-Nov.	37,262	.....	−76.9
KAUAI:	RESIDENTIAL	thous. $	Jan.-Nov.	58,603	.....	56.1
	Single Family Units	number	Jan.-Nov.	546	.....	42.2
	Multiple Family Units	number	Jan.-Nov.	3	.....	50.0
	NONRESIDENTIAL	thous. $	Jan.-Nov.	38,478	.....	−23.1
PUBLIC CONTRACTS AWARDED						
TOTAL GOVERNMENT PROJECTS:						
STATE		thous. $	Jan.-Nov.	353,367	.....	−14.1
Oahu		thous. $	Jan.-Nov.	276,844	.....	−9.4
Maui County		thous. $	Jan.-Nov.	24,954	.....	−57.2
Hawaii		thous. $	Jan.-Nov.	30,798	.....	−10.2
Kauai		thous. $	Jan.-Nov.	20,773	.....	60.0
BY LEVEL OF GOVERNMENT:						
Federal		thous. $	Jan.-Nov.	106,892	.....	4.7
State		thous. $	Jan.-Nov.	159,547	.....	−20.7
County		thous. $	Jan.-Nov.	87,017	.....	−19.4
REAL ESTATE RESALES						
STATE:	Single Family	number	Jan.-Nov.	3,714	.....	20.0
	Average Price	dollars	Jan.-Nov.	237,165	.....	28.6
	Condominium	number	Jan.-Nov.	5,413	.....	45.4
	Average Price	dollars	Jan.-Nov.	127,036	.....	12.7
OAHU:	Single Family	number	Jan.-Nov.	2,549	.....	20.4
	Average Price	dollars	Jan.-Nov.	278,023	.....	33.4
	Condominium	number	Jan.-Nov.	4,210	.....	46.4
	Average Price	dollars	Jan.-Nov.	124,597	.....	15.9
MAUI CO.:	Single Family	number	Jan.-Nov.	418	.....	17.7
	Average Price	dollars	Jan.-Nov.	192,736	.....	9.9
	Condominium	number	Jan.-Nov.	812	.....	37.6
	Average Price	dollars	Jan.-Nov.	144,972	.....	0.4
HAWAII:	Single Family	number	Jan.-Nov.	583	.....	19.5
	Average Price	dollars	Jan.-Nov.	114,352	.....	15.2
	Condominium	number	Jan.-Nov.	186	.....	63.2
	Average Price	dollars	Jan.-Nov.	122,772	.....	20.4
KAUAI:	Single Family	number	Jan.-Nov.	168	.....	25.4
	Average Price	dollars	Jan.-Nov.	148,409	.....	6.5
	Condominium	number	Jan.-Nov.	196	.....	38.0
	Average Price	dollars	Jan.-Nov.	123,557	.....	24.6

n.a. = not available.

population in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1, 1986	1,178.8	.....	2.3
Total Resident Population	thous.	July 1, 1986	1,062.3	.....	0.9
OAHU:					
Total De Facto Population	thous.	July 1, 1986	877.3	.....	1.4
Total Resident Population	thous.	July 1, 1986	816.7	.....	0.3
MAUI COUNTY:					
Total De Facto Population	thous.	July 1, 1986	110.0	.....	−4.8
Total Resident Population	thous.	July 1, 1986	87.6	.....	2.7
HAWAII:					
Total De Facto Population	thous.	July 1, 1986	120.0	.....	3.6
Total Resident Population	thous.	July 1, 1986	111.8	.....	2.4
KAUAI:					
Total De Facto Population	thous.	July 1, 1986	60.3	.....	8.5
Total Resident Population	thous.	July 1, 1986	46.4	.....	3.6
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1, 1986	1,004.2	.....	0.7
MILITARY PERSONNEL:					
STATE	number	July 1, 1986	58,584	.....	1.0
Ashore	number	July 1, 1986	53,616	.....	−0.4
Afloat	number	July 1, 1986	4,968	.....	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1, 1986	66,210	.....	3.0
FOREIGN IMMIGRATION*	number	Jan.-Nov.	5,054	.....	−2.6

p = preliminary.
*Includes only those entering Honolulu ports and does not include status changes.

income in hawaii

INCOME					
TOTAL PERSONAL INCOME**	mil. $	2nd Qtr.	16,870p	2.2	8.9
EMPLOYMENT INCOME*	mil. $	2nd Qtr.	12,726p	2.4	8.0
Manufacturing	mil. $	2nd Qtr.	570p	1.2	5.9
Construction & Mining	mil. $	2nd Qtr.	914p	2.0	18.4
Wholesale	mil. $	2nd Qtr.	495p	2.3	8.8
Retail	mil. $	2nd Qtr.	1,481p	2.3	14.7
Finance, Ins., & Real Estate	mil. $	2nd Qtr.	941p	2.2	13.0
Trans., Comm., & Util.	mil. $	2nd Qtr.	1,096p	6.2	14.4
Services	mil. $	2nd Qtr.	3,114p	2.9	6.5
Farm & Other	mil. $	2nd Qtr.	453p	14.4	7.3
Federal Civilian	mil. $	2nd Qtr.	970p	0.5	−0.8
Federal Military	mil. $	2nd Qtr.	1,345p	0.5	−0.3
State & Local	mil. $	2nd Qtr.	1,395p	2.6	11.2
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	2nd Qtr.	2,422p	1.0	6.4
TRANSFER PAYMENTS (2,514) minus Personal Contributions for Social Insurance (791)	mil. $	2nd Qtr.	1,723p	2.4	20.5
PER CAPITA PERSONAL INCOME:					
STATE	dollars	1986	14,691	.....	6.1
Oahu	dollars	1984	13,709	.....	5.7
Maui County	dollars	1984	11,611	.....	5.9
Hawaii	dollars	1984	9,998	.....	5.2
Kauai	dollars	1984	10,564	.....	6.9

**Total personal income and all components are seasonally adjusted at annual rates.
*Includes wage and salary disbursements, proprietors' income, and other labor income.
p = preliminary.

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HAWAII'S INTERISLAND SHIPPING INDUSTRY

Commercial shipping to the Hawaiian Islands began soon after Captain Cook's arrival in 1778. But, Hawaii's shipping industry did not get under way until the late eighteen hundreds, when William Matson sailed into Hilo harbor to pick up a load of sugar for refining in California.

The sugar industry fueled early shipping industry growth until the turn of the century. Hawaii's growing population increased the demand for goods from overseas. Soon airplanes made their way to Hawaii, bringing more people, and further increasing the demand for imported goods.

Today, roughly 85 percent of all the State's commodities are imported, making efficient and reliable cargo transportation the backbone of Hawaii's economy. Hawaii's large population, limited resources, and isolation, roughly 2,500 miles from its nearest trading market, make it one of the most import-dependent regions on earth.

Hawaii relies on two primary modes of cargo transportation, surface and air. The system has two types of movements, overseas (including domestic and foreign) and interisland (including local traffic and transshipments). Surface or waterborne transportation dominates the cargo distribution system with over 95 percent of Hawaii's overseas cargo and 98 percent of interisland cargo.

Freight moves between the islands in basically four different ways: (1) air cargo services by interisland airlines and air cargo contract carriers; (2) barge service between the five largest islands; (3) ocean freight services by private and contract carriers; and (4) transshipment service by the Matson Navigation Company, where containers arriving from the mainland are unloaded in Honolulu and transshipped to the neighbor islands.

In the last five years, Hawaii's four major islands have grown significantly: population has grown by 10 percent; the number of visitors has increased by 32 percent; and construction has expanded by 57 percent. However, given this increasing demand for cargo services to and among the Hawaiian Islands, the growth in interisland shipping has not kept pace. One of the main reasons is the dominance that Honolulu exerts on the entire state cargo distribution system. The latest available data show that roughly 95 percent of overseas in and outbound cargo goes through Honolulu. Virtually all cargo destined for the neighbor islands must be transshipped through the Honolulu gateway. This

tends to increase costs further than they might be if direct access to the neighbor islands were available.

However, because it is not presently economically feasible to construct deep-water ports and cargo handling facilities on the neighbor islands, the predominate utilization of Honolulu as the primary gateway is the most efficient method of overseas cargo receiving and distribution. The scheduled flow of cargo to and from the mainland to Honolulu reduces terminal costs and the need for long-term warehousing of non-perishable goods.

However, given the rapid economic growth of the neighbor islands, increasing state population, and increasing congestion in Honolulu Harbor, the time may be approaching when serious consideration should be given to the feasibility of constructing cargo handling facilities on the neighbor islands.

Another characteristic of Hawaii's overseas and interisland cargo distribution system is its dependence on an air transportation system that is primarily designed to carry people and not commodities. Aircraft deployed in the system are not ideally suited for the efficient transportation of cargo. Services, which are geared to the passenger market, are not designed to meet the different and specialized needs of cargo markets. Between 1983 and 1986, air cargo capacity between Honolulu and the major neighbor islands increased by only 3 percent per year, compared to the growth in interisland air cargo demand of 10 percent per year.

In comparison to the air transportation, Hawaii's interisland barge services are more infrequent and more concentrated in terms of services to and from Honolulu. Direct barge service links between the neighbor islands are virtually nonexistent. Shipments occur twice or thrice weekly. This imposes delays on the movement of cargo. Added to the greater risk of loss and damage, the result is a system of limited utility and cost efficiency.

Several studies commissioned by the State legislature concluded that the present cargo transportation system inhibits the marketing of Hawaii's agricultural products. The ability to deliver a better (fresher) product to distant markets could, in and of itself, stimulate and expand demand for Hawaii's agricultural products.

Shippers "pay" for these cargo transportation inadequacies through high costs and inconvenient shipping and arrival times. They also must absorb higher warehousing, packaging, repacking, security, and time-related

employment and jobs in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	Nov.	507.7p	0.9	2.5
Employment	thous.	Nov.	488.6p	1.0	3.4
Unemployment	thous.	Nov.	19.1p	−15.5	−14.7
Unemployment Rate	percent	Nov.	3.8p	0.0	−17.4
OAHU:					
Civilian Labor Force	thous.	Nov.	381.2p	1.0	2.5
Employment	thous.	Nov.	368.7p	1.2	3.5
Unemployment	thous.	Nov.	12.2p	−6.9	−22.8
Unemployment Rate	percent	Nov.	3.3p	−5.7	−23.3
MAUI COUNTY:					
Civilian Labor Force	thous.	Nov.	50.0p	1.0	1.8
Employment	thous.	Nov.	47.5p	0.4	1.5
Unemployment	thous.	Nov.	2.6p	18.2	13.0
Unemployment Rate	percent	Nov.	5.1p	15.9	8.5
HAWAII:					
Civilian Labor Force	thous.	Nov.	51.3p	−0.6	0.6
Employment	thous.	Nov.	48.6p	−0.8	2.1
Unemployment	thous.	Nov.	2.7p	0.0	−20.6
Unemployment Rate	percent	Nov.	5.3p	3.9	−19.7
KAUAI:					
Civilian Labor Force	thous.	Nov.	25.1p	1.2	8.7
Employment	thous.	Nov.	23.9p	1.3	8.6
Unemployment	thous.	Nov.	1.3p	0.0	8.3
Unemployment Rate	percent	Nov.	4.9p	−2.0	−2.0
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	Nov.	508.0p	0.2	3.2
SUGAR (Mill and Field)	thous.	Nov.	6.9p	0.0	−4.2
PINEAPPLE (Cannery and Field)	thous.	Nov.	3.7p	−5.1	0.0
DIVERSIFIED MANUFACTURING					
(Excluding Sugar and Pineapple)	thous.	Nov.	17.1p	0.0	1.8
Durable Goods	thous.	Nov.	4.3p	0.0	10.3
Non-Durable Goods	thous.	Nov.	12.8p	0.0	−0.8
Apparel and Textiles	thous.	Nov.	2.9p	0.0	−9.4
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	Nov.	8.2p	−7.9	5.1
CONTRACT CONSTRUCTION	thous.	Nov.	20.7p	−1.4	−1.9
TRANSPORTATION	thous.	Nov.	25.0p	−0.4	2.5
COMMUNICATION	thous.	Nov.	7.2p	1.4	1.4
UTILITIES	thous.	Nov.	2.7p	0.0	3.8
RETAIL TRADE	thous.	Nov.	102.4p	1.1	3.7
WHOLESALE TRADE	thous.	Nov.	19.7p	−0.5	1.5
FINANCE, INSURANCE AND REAL ESTATE	thous.	Nov.	33.9p	0.0	1.8
HOTEL SERVICES—STATE	thous.	Nov.	32.2p	0.3	9.5
Oahu	thous.	Nov.	17.2p	0.0	4.9
Maui County	thous.	Nov.	7.3p	1.4	9.0
Hawaii	thous.	Nov.	4.0p	0.0	2.6
Kauai	thous.	Nov.	3.8p	0.0	58.3
OTHER SERVICES	thous.	Nov.	93.4p	−1.4	3.0
FEDERAL GOVERNMENT	thous.	Nov.	32.9p	1.2	1.9
Civilian Agencies	thous.	Nov.	12.7p	1.6	4.1
Defense Department	thous.	Nov.	20.2p	1.0	0.0
STATE GOVERNMENT	thous.	Nov.	52.1p	5.9	2.8
COUNTY GOVERNMENT	thous.	Nov.	13.4p	0.8	3.9
NON-AGRICULTURE SELF-EMPLOYED	thous.	Nov.	34.8p	−8.7	0.6
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	Nov.	6,995	10.9	−4.9
INTRASTATE INITIAL CLAIMS	number	Jan.-Nov.	48,757	.....	−12.1
INTERSTATE INITIAL CLAIMS	number	Jan.-Nov.	3,069	.....	−16.1
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	Jan.-Nov.	46,109	.....	−11.1

p = preliminary.
[1]Count of recipients is duplicated. A person may be counted in each category.

public assistance in hawaii

Series	Unit	Period	Number	Percent Change preceding period	Percent Change year ago
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	Nov.	48,864	−0.8	−5.8
Payments	thous. $	Jan.-Nov.	79,568	.....	−5.0
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	Oct.	46,994	15.9	−10.9
Payments	thous. $	Jan.-Oct.	137,631	.....	0.5
FOOD STAMPS:					
Recipients[1]	no./persons	Oct.	82,089	0.5	−6.6
Payments	thous. $	Jan.-Oct.	70,358	.....	−4.6
SERVICES:					
Recipients[1]	no./cases	3rd Qtr.	7,520	−9.7	−5.3
Payments	thous. $	3rd Qtr.	4,634	6.0	−2.3

[1]Count of recipients is duplicated. A person may be counted in each category.

banking and finance in hawaii

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	Nov.	9,177.0	−0.6	14.7
Debits To Demand Deposits	mil. $	Jan.-Nov.	111,357.0	.....	13.0
OAHU:					
Total Deposits	mil. $	Nov.	7,681.8	−0.4	15.1
Debits To Demand Deposits	mil. $	Jan.-Nov.	100,913.9	.....	14.3
MAUI COUNTY:					
Total Deposits	mil. $	Nov.	585.0	−0.7	14.1
Debits To Demand Deposits	mil. $	Jan.-Nov.	4,555.5	.....	17.2
HAWAII:					
Total Deposits	mil. $	Nov.	621.0	−1.7	11.2
Debits To Demand Deposits	mil. $	Jan.-Nov.	3,986.7	.....	12.0
KAUAI:					
Total Deposits	mil. $	Nov.	289.4	−0.7	15.0
Debits To Demand Deposits	mil. $	Jan.-Nov.	1,900.8	.....	17.5
BANK LOANS OUTSTANDING—STATE[1]	mil. $	3rd Qtr.	4,751.9	−12.1	0.0
Real Estate	mil. $	3rd Qtr.	2,413.7	2.7	20.6
Consumer	mil. $	3rd Qtr.	1,048.1	1.1	−1.8
Commercial & Industrial	mil. $	3rd Qtr.	1,625.9	2.5	21.4
Other	mil. $	3rd Qtr.	282.8	3.6	3.1
CONVENTIONAL HOME MORTGAGE RATES: HONOLULU[2]	percent	Nov.	11.1	0.9	15.6
SAVINGS & LOAN ASSOCIATIONS:[1]					
TOTAL DEPOSITS	mil. $	Oct.	3,800.0	5.6	6.1
TOTAL LOANS	mil. $	Oct.	118.2	9.5	−14.5
MORTGAGE LOANS	mil. $	Oct.	104.7	8.5	−13.8
TAX COLLECTIONS:[3]					
STATE	thous. $	Jan.-Nov.	1,747,478	.....	15.9
Oahu	thous. $	Jan.-Nov.	1,502,451	.....	16.1
Maui County	thous. $	Jan.-Nov.	106,904	.....	17.2
Hawaii	thous. $	Jan.-Nov.	95,375	.....	14.6
Kauai	thous. $	Jan.-Nov.	42,844	.....	7.9

[1]Figures contain domestic balances only.
[2]Includes Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

costs. The deficiencies of the current system do not allow shippers to take full advantage of spot market conditions, new marketing opportunities, or the pricing benefits gained by free competition among carriers.

The only scheduled interisland transportation service is Young Brothers, Ltd., a subsidiary of Hawaiian Electric Industries, Inc. Young Brothers, a common carrier, is subject to regulation by the State of Hawaii Public Utilities Commission (PUC), and utilizes barges towed by tugboats. Charges assessed by Young Brothers must be approved by the PUC, and Young Brothers must accept for transport all cargo offered. There is much debate over the regulation of interisland surface common freight carriers. While defined as an essential public utility, interisland freight carriers are subject to numerous regulations. However, these regulations tend to reduce competitiveness in the industry. The bottom line remains whether market forces are adequate to make interisland freight carriers sufficiently responsive to the needs of Hawaii's shippers.

As it stands today, there is free access into the marketplace for interisland freight carriers. In fact, there are already a number of interisland barge-service competitors. If the industry deficiencies mentioned above are addressed and rectified, it could become possible for more carriers to enter the market, do away with the need for regulation, and make the overall system more efficient and less costly.

Several courses of action are currently being considered by the state and counties to improve the interisland cargo transportation system. These include: 1) opening up Hilo as an alternative overseas cargo collection and distribution site, with both air and waterborne transportation and warehousing facilities; 2) repealing the Water Carrier Act and exempting all water carriers from the definition of utilities in Sec. 269-1 of the Public Utilities Commission Law; 3) granting licenses to all carrier applicants who show financial and structural ability. No certificate of public convenience and necessity would be required; 4) offering all common carriers equal treatment with respect to pier facilities, upgrading harbor facilities at all ports, and improving interisland air cargo facilities; and 5) decontrolling all rates and service schedules.

If these modifications were implemented, Hawaii could gain a more competitive cargo transportation system that could provide greater support for Hawaii's future economic development.

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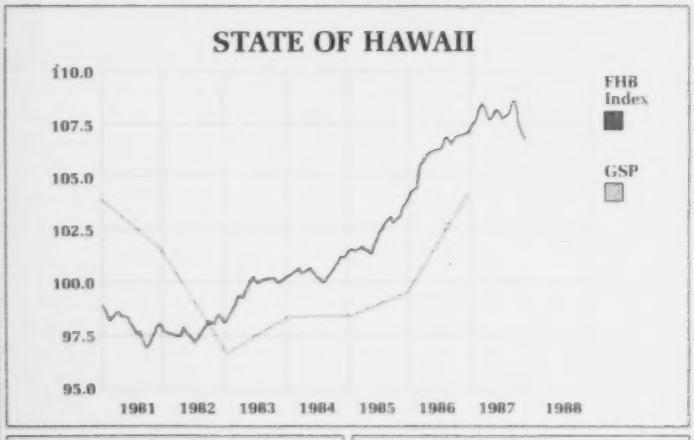

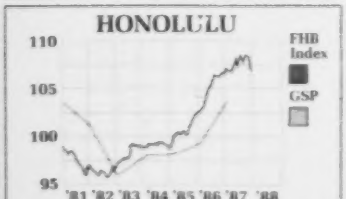

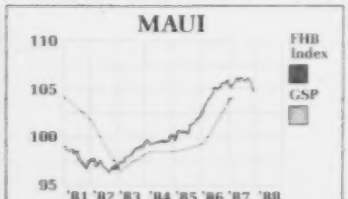

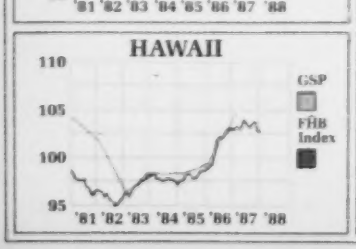

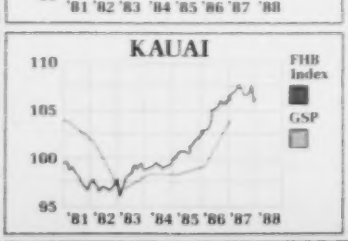

FIRST HAWAIIAN BANK INDEX OF LEADING ECONOMIC INDICATORS

The First Hawaiian Bank Index of Leading Economic Indicators declined for a second consecutive month, down 0.4 percent in November following a 1-percent decline in October. This prolonged decline in the Index indicates a slowdown in growth ahead for the State economy. Of the five base index components, average workweek hours realized a significant increase, but was offset by a sharp decline in the Hawaii stock index. The Federal money supply; average prime rate, and consumer prices indices all held steady. The four county indices showed moderate declines, also reflecting slower growth rates ahead. The Honolulu index realized gains in workweek hours and employment, but suffered declines in public contracts awarded, visitor counts, and credit demand. Maui realized substantial gains in building permits and visitor counts, but sustained sharp declines in employment, credit demand, and public contracts awarded. The Big Isle and Kauai indices realized the least level of decline with employment, credit demand, and building permits up from the previous month.

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